Appendix 4E

Preliminary Final Report

1. Company Results

Name of Entity: Zip Co Limited

ACN: 139 546 428

Reporting Period: Financial Year ended 30 June 2024

Previous Period: Financial Year ended 30 June 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

			30 June 2024 $'000	30 June 2023 $'000
Revenue from ordinary activities	UP	28%	867,978	677,209
Loss from ordinary activities after income tax attributable to members	UP	NM[1]	3,657	(377,015)
Total comprehensive loss attributable to members	UP	NM[2]	(449)	(364,103)

The company does not have a dividend policy.

	30 June 2024	30 June 2023
Net tangible asset backing per ordinary share[3]	8.25 cents	(14.13) cents

1. Not meaningful. Actual movement is 106%.
2. Not meaningful. Actual movement is 95%.
3. Net tangible assets include right-of-use assets which are recognised by the Group in accordance with AASB16.

Brief Explanation of the Above Figures

Please refer to the Review of Operations for an explanation of the results.

The profit for the consolidated entity after providing for income tax amounted to $3,657,000 (30 June 2023: loss of $377,015,000).

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

Refer to note 26 for changes in controlled entities in the year ended 30 June 2024.

4. Associates/Joint Venture Entities

In December 2023, Zip completed the sale of its investment in Hemenal Finansman A.Ş. and the investment was derecognised.

Detailed information in relation to Zip's investment is contained in the 30 June 2024 Full Year Report.

5. Audit Status

The financial statements have been audited and an unmodified opinion has been issued.

6. Dividends

No dividends have been declared for the year ended 30 June 2024 or for the previous corresponding period.

FY24 Financial Report

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Directors' Report

30 June 2024

The Directors of Zip Co Limited present their report, together with the financial statements of Zip Co Limited ("the Company") and its controlled entities ("consolidated entity", the "Group" or "Zip") for the year ended 30 June 2024 ("the period"). This report complements the financial report. To comply with the provisions of the *Corporations Act 2001*, the Directors' report is as follows:

Directors

The following persons were Directors of the Company during the whole of the financial years and up to date of this report, unless otherwise stated:

- Diane Smith-Gander AO
- Cynthia Scott (appointed on 24 August 2023)
- Larry Diamond
- Meredith Scott
- John Batistich
- Kevin Moss (appointed on 21 May 2024)
- Peter Gray (resigned as Director on 24 August 2023)

The profiles of Directors have been included on pages 11 to 16.

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, the United States and Canada.

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.

During the period Zip discontinued its Zip Business operations with the sales of its Australian and New Zealand consumer receivables in 2HFY24.

Following work undertaken in previous financial years to simplify and focus the Group on its core markets, ANZ and Americas, Zip focused on execution of its three strategic priorities in the year ended 30 June 2024 to deliver sustainable growth:

Growth and profitability

Extending distribution and performance of core products

- FY24 Revenue margin[1] 8.7% (FY23 7.8%)
- FY24 Cash NTM[1] 3.8% (FY23 2.8%)
- AU revenue yield[1] expansion to 18.4% in June 2024 (FY23 16.1%)
- US TTV growth of 39.5% YoY

Product innovation

Unlocking new customer and market segments for growth

- +14.0% year-on-year Total Transaction Volume ("TTV")[1] growth in FY24 to >$10.0 billion
- New products launched in ANZ and US in FY24

Operational excellence

Strengthening our platforms and balance sheet to support scale

- Strengthened and simplified balance sheet
- Extinguished all convertible notes
- Stable quarterly operating cash flow generation
- Strengthened corporate position to enable a corporate debt part repayment in June and full repayment post year end

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.

Directors' Report continued

Financial Performance

For the year ended 30 June	2024 $'M	2023* $'M	Change %
Continuing operations			
Total income	875.1	681.7	28%
Cash cost of sales	(495.1)	(433.3)	(15%)
Cash gross profit[1]	**380.0**	**248.4**	**52%**
Movement in bad debt provision and amortisation of funding costs	(3.2)	(1.1)	168%
Gross profit[1]	**376.8**	**247.3**	**53%**
Salaries and employee benefits expenses	(161.0)	(167.4)	(4%)
Marketing expenses	(38.2)	(41.4)	(8%)
Information technology expenses	(41.1)	(44.1)	(7%)
Depreciation and amortisation expenses	(64.4)	(62.8)	3%
Share-based payments	(6.6)	(14.3)	(54%)
Interest on operations	(22.2)	(4.9)	349%
Corporate financing costs	(44.2)	(109.4)	(60%)
Other operating expenses	(38.6)	(88.9)	(57%)
Non-operating expenses, gains and losses	64.6	(80.3)	177%
Profit/(loss) before income tax from continuing operations	**25.1**	**(366.3)**	**107%**
Depreciation and amortisation	64.4	62.8	3%
EBTDA[1]	89.5	(303.5)	129%
Corporate and one-off items			
Share-based payments	6.6	14.3	(54%)
Non-operating expenses, gains and losses	(64.6)	80.3	(177%)
Convertible notes incentivised payments and other costs	31.5	31.9	(1%)
Loss on derecognition of financial liabilities and assets	1.0	10.1	(90%)
Termination fee	–	16.3	(100%)
Segment EBTDA[1]	**64.0**	**(150.6)**	**144%**
Non-cash items and discontinued operations	5.0	102.4	(98%)
Group Cash EBTDA[1]	**69.0**	**(48.2)**	**243%**

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.

* Comparative information has been restated due to discontinued operations, please refer to Note 18.

Directors' Report continued

Total income from continuing operations increased 28% from the prior year due to a 39% increase in total transaction volumes in the Americas and further yield expansion in ANZ.

The increase in total transaction volumes and revenue, together with improved arrears performance resulting in flat net bad debt write-offs, drove a 52% increase in cash gross profit compared to the prior period.

The Group's focus on operational excellence drove continued cost discipline to deliver operational leverage. This resulted in salaries and employee benefits expense, information technology expenses and share based payments decreasing from the prior period due to reductions in headcount and rationalisation of suppliers and contracts. There were also reduced costs in non core geographies and businesses which were predominantly closed during FY23.

Interest on operations increased from the prior period reflecting the increase in the corporate debt facility during 1H24 to $90.0 million and its increase through refinancing in December 2023 to a $150.0 million facility. In June 2024, $20.0 million of the facility was repaid, resulting in a principal balance of $130.0 million at 30 June 2024. In July 2024, Zip repaid the corporate debt facility in full and the associated exit fee in full via an equity placement.

Corporate financing costs primarily relate to the convertible notes. During the current financial year, the Group took action to reduce the convertible notes via a combination of repayment, senior convertible note consent solicitation and incentivised conversion. Together with regular conversions, this saw the convertible notes fully convert to ordinary shares by May 2024 and the liability extinguished. The current period expense includes both incentive payments for incentivised conversions of $31.5 million and an effective interest charged on convertible notes of $7.8 million.

Decrease in other operating expenses in the current period reflects reduced write off of balances compared to the prior financial year, reversal of accrued expenses no longer required and a reduction in various operating costs including professional fees and facility costs.

The current period non-operating expenses, gains and losses includes a gain of $139.7 million recognised on the senior convertible note, and a gain of $3.1 million on the sale of Zip's investment in Hemenal Finansman A.Ş (Turkey). This is offset by an unrealised loss of the exit fee included in the Group's corporate debt facility of $61.5 million, a $15.4 million unrealised fair value loss on the Group's investment in Zest Money India and $1.3 million of various other expenses.

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 is used to manage and report on the Group. Refer to Glossary for more detail on Non-IFRS disclosures.

Total Transaction Volumes

For the year ended 30 June	2024 $'M	2023 $'M	Change %
ANZ	3,555.8	4,158.8	(14.5%)
Americas	6,495.4	4,657.1	39.5%
Total Transaction Volumes	**10,051.2**	**8,815.9**	**14.0%**

Total transaction volumes generated by consumers have grown to $10.1 billion, an increase of 14.0%.

The America's contributed strong TTV growth of 39.5% driven by continued USA growth from existing customers in higher-margin channels such as the Zip app.

The ANZ business TTV reduced by 14.5% 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 was in a higher for longer interest rate environment.

Directors' Report continued

Active Customers

For the year ended 30 June	2024 M	2023 M	Change %
ANZ	2.2	2.3	(5.4%)
Americas	3.8	3.9	(1.4%)
Total Active Customers	**6.0**	**6.2**	**(2.9%)**

The number of active customers across Zip's continuing operations has slightly decreased across the reporting periods reflecting the tightening of underwriting criteria across all regions in which Zip operates.

Transactions

For the year ended 30 June	2024 M	2023 M	Change %
ANZ	42.3	47.4	(10.8%)
Americas	33.9	25.3	34.0%
Total Transactions	**76.2**	**72.7**	**4.8%**

The number of transactions in ANZ has decreased 10.8% from the prior corresponding period as a result of reduced TTV and active customers due to the tightening of underwriting criteria in the region.

Transaction numbers in the Americas have grown 34.0% despite a slight reduction in active customers driven by continued USA growth from existing customers in higher-margin channels such as the Zip app.

Merchants

For the year ended 30 June	2024 K	2023 K	Change %
ANZ	55.1	48.3	14.1%
Americas	24.2	24.0	0.7%
Total Merchants	**79.3**	**72.3**	**9.6%**

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

Balance Sheet and Capital Management

Cash

	30 June 2024 $'M	30 June 2023 $'M	Change %
Cash, cash equivalents and restricted cash	353.0	275.9	27.9%
Less: unavailable cash			
– Restricted cash	(231.7)	(124.0)	86.9%
– Operational floats	(43.9)	(95.4)	(54.0%)
Add: excess invested securitisation warehouses and special purpose vehicles	2.9	0.8	284.8%
Available cash	**80.4**	**57.3**	**40.3%**

Directors' Report continued

Cash, cash equivalents and restricted cash grew $77.1 million over the prior corresponding period as a result of:

- $272.5 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;
- $12.0 million of positive cash flows from investing activities as capital expenditure was offset by sales of Zip business loan books; offset by
- $208.3 million of financing cash outflows from refinancing and net repayment of debt, associated transaction costs and incentive payments for the conversion of convertible notes.

Receivables

	30 June 2024 $'M	30 June 2023 $'M	Change %
Gross customer receivables	2,564.2	2,767.8	(7.4%)
Unearned future income	(23.4)	(18.9)	23.8%
Provision for expected credit losses	(142.2)	(152.1)	(6.5%)
Customer receivables	**2,398.6**	**2,596.8**	**(7.6%)**
Split as:			
ANZ	2,022.6	2,351.1	(14.0%)
Americas	376.0	245.7	53.0%
Customer receivables	**2,398.6**	**2,596.8**	**(7.6%)**

The Group's receivables portfolio decreased 7.6% to $2,398.6 million at 30 June 2024, down from $2,596.8 million at 30 June 2023, reflecting lower total transaction volumes in the more capital intense region, ANZ and the sale of the Zip Business loan receivables portfolios.

The provision for expected credit losses has remained steady at 5.5% of gross customer receivables, as improved credit performance in each region has been offset by increased allowance for potential future economic conditions.

Receivables Funding Facilities

Facility	Lender	Facility Limit $M	Drawn at 30 June 2024 $M	Maturity
Zip Master Trust				
– Rated Note Series				
2021-2	Public ABS	663.5	663.5	Sep-24
2023-1	Public ABS	190.0	190.0	May-26
2023-2[2]	Public ABS	285.0	267.0	Oct-26
2024-1	Public ABS	285.0	285.0	Oct-25
– Variable Funding Note	Private Facility	468.3	378.2	Mar-25
– Variable Funding Note 3	Private Facility	285.0	142.5	Apr-26
ZipMoney 2017-1 Trust	Private Facility	116.6	80.2	Jul-24
AR3LLC[1]	Private Facility	339.7	283.8	Dec-26
Zip NZ Trust 2021-1	Private Facility	18.3	10.1	Jul-24
Total		**2,651.4**	**2,300.3**	

1. Zip has the option to increase the facility from US$225.0 million to an aggregate amount of up to US$300.0 million, subject to the lender's agreement.
2. Zip holds a tranche in this facility of $18.0 million in addition to the junior note of $15.0 million.

Directors' Report continued

The Group had total facilities of $2,275.4 million available to fund its Australian consumer receivables at 30 June 2024, of which $2,006.4 million was drawn ($269.0 million undrawn and available).

Zip has a facility totalling US$225.0 million to fund its US consumer receivables which was drawn to US$188.0 million at 30 June 2024.

Zip New Zealand facility has a limit of NZ$20.0 million available to fund receivables in New Zealand, drawn to NZ$11.0 million at 30 June 2024.

During the year ended 30 June 2024, Zip executed the following:

- Successfully completed a $300.0 million rated note issuance in the Zip Master Trust (2023-2) with the senior notes being AAA-rated. This refinanced the prior rated issuance (2022-1) that matured in November 2023;
- Zip US executed an agreement to refinance its US$225.0 million facility for a three-year term to December 2026. The facility went live in January 2024;
- Following the sale of Zip Business receivable loans in Australia and New Zealand to a third party, Zip has fully repaid all external Zip Business funders during the third quarter under its facilities in Australia and New Zealand;
- On 12 March 2024, Zip refinanced Zip's Series VFN No. 1 facility in the Zip Master Trust for a one year period for $468.3 million;
- In April 2024 Zip successfully completed a new $300.0 million warehouse facility ("VFN No. 3") for two years within the Zip Master Trust. The proceeds were partly used to refinance a facility in the Zip Master Trust (2021-1) that matured on 10 April 2024;
- In April 2024 Zip successfully completed a $300.0 million rated note issuance for 18 months within the Zip Master Trust (2024-1) with a weighted-average margin of 2.65% and the senior notes being AAA-rated;
- The proceeds from the above refinancings in April 2024 were used to repay the $500.0 million Zip Master Trust facility (2021-1) that matured on 10 April 2024; and
- Zip repaid early and retired VFN No.2 (Facility limit $143.7 million).

Corporate Debt Facility

Facility	Facility Limit $M	Drawn at 30 June 2024 $M	Maturity
Corporate debt facility	150.0	130.0	Dec-27

In December 2023 Zip successfully completed a new $150.0 million corporate debt facility with funds managed by Ares Management Corporation for a term of four years. Proceeds of this facility were used to:

- Repay in full Zip's maturing $90.0 million corporate debt facility (2017-2);
- Fund the cash component of the incentivised conversion of the $40.0 million outstanding CVI Convertible Notes; and
- Provide additional liquidity to support growth.

In June 2024, Zip repaid $20.0 million of the corporate debt facility and post 30 June 2024, Zip repaid the corporate debt facility in full and the associated exit fee in full via an equity placement.

Directors' Report continued

Senior Convertible Notes

In June 2023, Zip announced that existing holders of its Senior Convertible Notes had approved certain amendments to the terms and conditions of the Senior Convertible Notes to become effective following an Extraordinary General Meeting (EGM) on 31 July 2023. At the Extraordinary General Meeting shareholders approved the amendments and the physical settlement of the Senior Convertible Notes and the Amending Documents governing the Senior Convertible Notes were subsequently executed.

On 31 July 2023, the Consent Solicitation was approved at the EGM and settled, reducing the face value of the pre-existing Senior Convertible Notes from $290.2 million to $137.8 million. Also approved was the adjusting of the conversion price of the Amended Senior Convertible Notes (referred to as Senior Convertible Notes) to $0.5170 per Zip share.

The Senior Convertible Notes had the option for investors to put the Amended Senior Convertible Notes back to Zip on 23 April 2025 at 109.17% of the principal amount. A coupon of 5.0% per annum was payable on a semi-annual basis. At the Final Maturity Date of 23 April 2028, noteholders could redeem the Amended Senior Convertible Notes at 129.30% of the principal amount.

As of May 2024, all Senior Convertible Notes had converted to equity, reducing the outstanding debt balance to nil.

CVI Convertible Notes and Warrants

In September 2023, Zip made a payment of $10.8 million, which included accrued interest of $0.8 million, under the terms of the CVI Convertible Notes. Following the repayment, 400 Convertible Notes with a face value of $40.0 million remained outstanding and held by CVI Investments Inc. (CVI).

On 1 September 2023, Zip cancelled 19,365,208 warrants issued to CVI due to their expiration. A gain of $1.0 million on extinguishment of the financial liability-warrants has been recorded for the year ended 30 June 2024.

On 18 December 2023, Zip undertook an incentivised conversion with CVI to convert the existing $40.0 million of outstanding notes into 21,688,445 Zip ordinary shares at an issue date share price of $0.615. Given the conversion price on the notes was $1.8443, Zip made payment of $29.4 million to CVI to incentivise the conversion, resulting in the reduction of the outstanding face value and all other amounts owing under the CVI Convertible Notes, to nil.

The incentive payment of $29.4 million offered by Zip to CVI has been recorded as corporate financing costs in the year ended 30 June 2024.

Upon the conversion of the remaining 400 CVI Convertible Notes, Zip derecognised the carrying amount of the debt host of $38.5 million and the embedded derivative of $1.8 million. Simultaneously, Zip recognised issued capital of $13.3 million and retained earnings of $27.0 million.

No financial liabilities in relation to CVI Convertible Notes existed at 30 June 2024.

Equity Capital

On 12 December 2023, Zip completed its Small Shareholding Sale Facility, first announced on 4 October 2023. The Sale Facility enabled shareholders who held less than $500.00 worth of fully paid ordinary shares (Small Shareholdings) on 3 October 2023 (Record Date) to sell their Small Shareholdings without having to act through a broker or incurring any brokerage costs. As a result of the Small Shareholding Sale Facility, administrative costs associated with maintaining a large number of small shareholdings on the Company's share register were reduced. On the Record Date, Zip had approximately 78,000 shareholders with a Small Shareholding. At the close of the Sale Facility there were 30,861,767 ordinary shares to be sold held by 69,669 shareholders. The shares were sold at a volume-weighted average price in the ordinary course of trading on the ASX at $0.4034 per share between 23 November and 7 December 2023. Sale proceeds were paid to participants on 20 December 2023.

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 financial year.

Directors' Report continued

Future Developments

In future financial years, 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.

Material Risks

Risk management is central to our operating model and underpins all our activities. Zip operates a robust Risk Management Framework (RMF) focusing on the identification, assessment, management and monitoring of material risks, which is overseen by the Audit and Risk Committee and the Zip Board. Material business risks are those risks deemed to have a significant impact on Zip's operations, financial performance, and business objectives. The Company is exposed to strategic, financial, operational, IT security and privacy, legal and compliance, and credit risks. The risk management strategy, to mitigate these risks, is outlined in the following table:

Risk	Risk Management Strategy
Strategic risk The risk that we are unable to identify and execute the right strategic initiatives and projects on target and on time that deliver measurable and agreed outcomes to support our goals.	Zip's strategic risks are identified and assessed as part of our annual business planning process which is endorsed by the Board. We identify the actions required to realise our plan, assessing both upside and downside risks. Key financial and business results are reviewed monthly by the Executive team and Board. In financial year 2024, focus areas of strategic risk included strategic alignment, competition, product innovation and delivery, reputation and brand and social and environmental sustainability. These influence the prioritisation of investments and resources in the Board-approved Corporate Plan. We undertake analysis on threats or opportunities to effectively assess key strategic risks. This includes monitoring cash flow forecasts, Net Promoter Score (NPS), growth in average monthly transacting users (MTU), DEI metrics, social impact initiatives, cyber security resilience, responsible lending and customers entering hardship.
Financial The risk that we are unable to access sufficient funding at a reasonable cost. The risk of not being able to meet financial commitments as and when they are due and in compliance with regulatory standards on solvency, liquidity, and financial management.	Zip has Board-approved cashflow and liquidity management plans and policies to ensure adequate liquidity is maintained to support the business, and that regulatory requirements are adhered to. This includes ensuring we have sufficient access to capital and debt facilities at a reasonable cost. Cash flow and Liquidity risk is managed by our Treasury and Finance functions through monitoring cash flows, restricted cash positions and projected future cash flows, supported by business forecasts that take into account anticipated seasonality as well as stress testing and market conditions. We monitor cash flow forecasts on a monthly basis and have a process to ensure timely and accurate submission of reporting to stakeholders across all operational jurisdictions.

Directors' Report continued

Risk	Risk Management Strategy
Operational The risk of loss due to inadequate or failed internal processes, people, and systems or from external events, which results in Zip being unable to provide continued delivery of our services to customers and merchants. Examples of focus areas of operational risk include People, Health, Safety & Wellbeing, Third parties governance and operational resilience.	Zip monitors operational risks in accordance with our RMF, including those relating to our people (for example, we actively monitor including voluntary attrition rates, employee engagement scores and workplace incidents. Health, safety, and wellbeing is monitored through lost-time injury frequency rate).
IT Security and Privacy The risk of loss resulting from disruption to operations and data loss or failed privacy and data use controls.	Zip uses automated and standardised security measures in a layered approach to protect systems. We maintain a specific Information and Communication Technology (ICT) management framework which includes regular IT security/ vulnerability assessments and testing, ongoing system monitoring, software change and access management controls, as well as regular ICT and employee training, including security awareness training and exercises. As part of their annual financial statement audit, our auditors undertake testing of key ICT and security risk controls insofar as they relate to the production of information for the financial statements. Zip also monitors and responds to instances of unauthorised access, unauthorised data disclosures, employee information security training and phishing exercise click rates. Privacy and data risk is primarily monitored through cybersecurity maturity scores and reportable regulatory breaches.
Legal and Compliance The risk of inadequate adherence to regulatory and compliance obligations and financial loss from legal disputes.	Zip has compliance management policies and procedures for identifying and managing regulatory obligations, incidents and issues that may arise. Management of regulatory and compliance risk is overseen by the Group Executive Team, the Audit and Risk Committee and the Board. We monitor employee annual compliance training, reportable regulatory breaches, legal disputes, and whistle-blower reports. We have AML/CTF programs in place to meet obligations which are also subject to periodic reviews and Board oversight.
Credit Risk The risk of loss due to customers failing to meet all or part of their contractual obligations.	Zip takes precautions to ensure that approved customers can pay their obligations by conducting identity, affordability, and credit checks. We offer relatively short duration credit and low average order value on ZipPay, review and manage credit limits for higher risk customers and limit the concentration of non-performing loans and large single exposures in the consumer credit portfolio. We monitor delinquency rates, net bad debts, debt rates and principal loss rates on a monthly basis.

Directors' Report continued

Composition of the Board

Name:	**Diane Smith-Gander AO**
Title:	Non-Executive Chair
Qualifications:	BEc, MBA, FAICD, FGIA, FAIM, GAICD
Term:	Non-Executive Director and Chair of the Board since 1 February 2021.
Independent:	Yes
Committees:	Member of each of the Audit & Risk Committee (until 15 August 2024) and Remuneration, People & Culture Committee (until 22 August 2024) and Chair of the Nominations Committee.
Directorships:	Chair of Zip Co Limited, Chair of Perenti Limited (appointed as a non-executive director on 16 October 2023 and as Chair on 12 March 2024), Chair of the Committee for Economic Development of Australia, and Chair of HBF Health Limited (appointed Chair in May 2022).
Experience:	Diane has extensive Australian and international executive experience in banking and finance, technology, and strategic and management consulting. This includes as a former partner at McKinsey & Company in the United States, and as Group Executive IT and Operations, Westpac Banking Corporation. Diane has gained deep experience as a non-executive director since joining the Wesfarmers board in 2009 (ceased as a director in 2020) across diverse sectors including listed entities, State and Commonwealth government, cooperatives, professional services and privately held companies. In recognition of her contributions to business and gender equality, Diane was made an Officer in the Order of Australia in 2019. Diane is a past President and current member of Chief Executive Women.
Former Directorships (of listed entities in the last 3 years):	Director of AGL Energy Limited (September 2016 until 18 September 2022)
Interests in shares:	178,322
Interest in performance rights:	171,355

Directors' Report continued

Name:	**Cynthia Scott**
Title:	Managing Director and Group Chief Executive Officer Former ANZ Chief Executive Officer (until 10 August 2023)
Qualifications:	B.Com. (Finance and Japanese Studies), M.App Fin, GAICD
Term:	Managing Director appointed on 24 August 2023 and Chief Executive Officer appointed on 10 August 2023.
Independent:	No
Committees:	None
Directorships:	Uniti Group Limited (appointed October 2022) (also appointed as director of a Company subsidiary). Ms Scott is also a director of ZipMoney Securities Limited, a Company subsidiary.
Experience:	As Group CEO, Cynthia leads Zip's performance and strategy execution across Australia, New Zealand and the United States. Before she was appointed Group CEO in August 2023, Cynthia was Zip's ANZ CEO from November 2021. Prior to Zip, Cynthia was the Chief Strategy and Business Development Officer at Scentre Group and held a number of senior executive roles at Telstra, including Group Executive responsible for Telstra's New Business portfolio. Prior to Telstra, Cynthia spent over 20 years in investment banking, most recently at Barclays where her roles included Regional Head of Debt Capital Markets in Hong Kong and CEO of Australia and New Zealand. Cynthia was previously Chair of Foxtel, Telstra Ventures and Autohome, a NYSE-listed Chinese technology company. She is a member of the Adara Group Panel and Chief Executive Women, and previously served on the Advisory Board for Room to Read.
Former Directorships (of listed entities in the last 3 years):	None
Interests in shares:	283,423 (indirect)
Interest in performance rights	3,910,540

Directors' Report continued

Name:	**Larry Diamond**
Title:	Executive Director and US Chairman Formerly Executive Director and US Chief Executive Officer (from 10 August 2023 until 15 July 2024) Previous to that, was Executive Director and Chief Executive Officer (until 10 August 2023)
Qualifications:	BTech(IT), MCom, Chartered Accountant
Term:	Executive Director (appointed on 11 September 2015); Managing Director (appointed 1 July 2016 and ceased on 10 August 2023).
Independent:	No
Committees:	None
Directorships:	Larry is a Director of a number of the Company's subsidiaries.
Experience:	Larry Diamond co-founded Zip with Mr Peter Gray in 2013 with the goal of disrupting the broken and unfair credit card model, using technology to create a transparent, fairer and more flexible alternative. In his role as US Chairman, Larry drives commercial growth and product innovation across Zip's portfolio. From 10 August 2023 to 15 July 2024, Larry was Executive Director and US CEO, leading the Zip business in North America. His role previous to that was Global CEO. Prior to Zip, Larry spent over 12 years working in retail, technology, and investment banking, where he held roles at Pacific Brands, Deutsche Bank and Macquarie Capital.
Former Directorships (of listed entities in the last 3 years):	None
Interests in shares:	55,318,981 (55,218,139 indirect and 100,852 direct)
Interest in performance rights:	1,496,970

Directors' Report continued

Name:	**Meredith Scott**
Title:	Non-Executive Director
Qualifications:	BEc, Fellow of Chartered Accountants Australia and New Zealand, GAICD
Term:	Non-Executive Director appointed on 1 September 2022
Independent:	Yes
Committees:	Chair of the Audit & Risk Committee and Member of the Nominations Committee and Remuneration, People & Culture Committee.
Directorships:	None
Experience:	Meredith has nearly 40 years' business experience, specialising in financial risk mitigation. Meredith was the Chief Executive Officer of Opportunity International Australia (Opportunity) from 2018 to 2021. Previously she was with Ernst & Young for 32 years, including 19 years as an audit partner, and an Ernst and Young Governing body member at national, Asian and Global levels. Throughout her time as a Partner at Ernst & Young she had signing responsibilities for clients ranging across the Technology, Publishing, Telecommunications, Not for Profit, Movie Production and Education sectors. She was the first female to be appointed to the Oceania Executive team. Meredith holds an Honorary Fellow of Senate from Sydney University following 10 years of serving on its Finance and Audit Committee.
Former Directorships (of listed entities in the last 3 years):	None
Interests in shares:	51,432
Interest in performance rights:	81,864

Directors' Report continued

Name:	**John Batistich**
Title:	Non-Executive Director
Qualifications:	M.Mgt, BBus, GAICD
Term:	Non-Executive Director appointed on 6 February 2018
Independent:	Yes
Committees:	Chair of the Remuneration, People & Culture Committee and Member of the Nominations Committee, and the Audit & Risk Committee.
Directorships:	Director of Foodco Group Pty Limited (and Director of a number of its subsidiaries), Director of Sunnyfield Disability Services, and Director of Versa Connects Pty Ltd.
Experience:	John is a highly-experienced growth leader with significant experience in marketing, digital, customer experience and human resources. John has over 30 years of cross sector experience in research, marketing, digital and general management with blue chip companies like Westfield Group, Interbrand, Wrigley Company, Pepsico Foods, Kimberley Clark and Lion Nathan.
Former Directorships (of listed entities in the last 3 years):	None
Interests in shares:	381,208
Interest in performance rights:	85,677

Name:	**Kevin Moss**
Title:	Non-Executive Director
Qualifications:	BS (Applied statistics); MS (Quantitative analysis)
Term:	Non-Executive Director appointed on 21 May 2024.
Independent:	Yes
Committees:	Member of the Audit & Risk Committee (appointed effective 21 May 2024) and the Remuneration, People & Culture Committee (appointed 19 June 2024).
Directorships:	None
Experience:	Based in San Francisco, Kevin is an experienced credit and risk leader with almost 40 years' experience in the financial services and payments sectors. He spent 17 years in executive roles at Wells Fargo, including Chief Risk Officer for the consumer lending group, Business Manager for the National Home Equity Group, Chief Credit Officer for the home and consumer finance group and Head of Consumer Risk Management. His most recent executive role was as Chief Risk Officer at SoFi. Kevin has over nine years' experience as an advisor for companies that provide risk, fraud and consumer lending product solutions.
Former Directorships (of listed in the last 3 years):	None
Interests in shares:	None
Interest in performance rights:	None

Directors' Report continued

Name:	**Peter Gray**
Title:	ANZ Chief Executive Officer Former Executive Director and former Global Chief Operating Officer (until 24 August 2023)
Qualifications:	Diploma of Finance
Term:	Executive Director appointed on 11 September 2015 and resigned on 24 August 2023.
Independent:	No
Committees:	None
Directorships:	Peter is a Director of a number of the Company's subsidiaries.
Experience:	Peter co-founded Zip with Larry Diamond in 2013 with the goal of disrupting the broken credit card model, using technology to create a transparent, fairer and more flexible alternative. As ANZ Chief Executive Officer, Peter oversees Zip's Australia and New Zealand operations including credit and risk management. An operations and consumer credit expert, Peter has underwritten over 3 million customers, $15.0 billion in transaction volume and $2.0 billion in loan receivables in Australia alone since the Company was founded. Peter was the chief architect in developing Zip's market-leading credit and decisioning technology platform and the launch of Zip's Master Trust receivables funding program. Peter is a respected Australian consumer finance authority and commentator, with over 25 years' experience spanning regulated consumer credit, operations, risk, legal, compliance and publicly listed companies.
Former Directorships (of listed entities in the last 3 years):	None
Interests in shares:	18,443,826 (180,056 indirect and 18,443,826 direct)
Interest in performance rights:	1,444,669

Company Secretary

Sarah Brown is Zip's General Counsel ANZ and Company Secretary. She has over 20 years' experience in legal, risk, compliance and governance gained in leadership roles across major financial institutions and financial technology companies. She holds a Bachelor of Laws and a Bachelor of Business (with Distinction) from the University of Technology, Sydney.

Directors' Report continued

Meeting of Directors

The Company's Board of Directors ("Board") met 17 times during the financial year ended 30 June 2024.

The following table includes:

- Names of Directors that held office at any time during, or since the end of, the financial year; and
- The number of Board and Board committee meetings that each Director, as a member of the Board or Board committee, was eligible to attend, and the number of meetings attended by each Director.

The table excludes the attendance of those Directors who attend Board committee meetings of which they are not a member.

	Board Directors				Audit and Risk Committee		Remuneration People & Culture Committee		Nominations Committee	
	Meetings		Ad-Hoc Meetings[1]							
	Held[2]	Attended	Held[3]	Attended	Held[2]	Attended	Held[2]	Attended	Held[2]	Attended
Diane Smith-Gander AO	10	10	7	7	5	5	4	4	2	2
Cynthia Scott[4]	9	9	3	3	NM[7]	–	NM[7]	–	NM[7]	–
Larry Diamond	10	9	6	4	NM[7]	–	NM[7]	–	NM[7]	–
Meredith Scott	10	10	7	6	5	5	4	4	2	2
John Batistich	10	10	7	7	5	5	4	4	2	2
Kevin Moss[5]	1	1	–	–	1	1	NM[7]	–	NM[7]	–
Peter Gray[6]	1	1	3	3	NM[7]	–	NM[7]	–	NM[7]	–

1. Out of cycle Board meetings typically called for a special purpose that do not form part of the Board's forward planner.
2. The number of meetings held during the time the Director held office and was a member of the Board or relevant committee.
3. The number of Ad-hoc Board meetings held during the time the Director held office and was a member of the Board, and where the Director was invited to attend.
4. Appointed as Managing Director on 24 August 2023.
5. Appointed as Non-Executive Director on 21 May 2024.
6. Resigned as a Director on 24 August 2023.
7. NM refers to not a member of the committee.

Remuneration Report

This report forms part of the Company's Director's Report for the year ended 30 June 2024 (FY24) and sets out the remuneration arrangements for Zip's Directors and other Key Management Personnel (KMP). KMPs are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including all Directors. The Report is prepared in accordance with section 300A of the *Corporations Act 2001* and has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Message from the Chair of the Remuneration, People and Culture Committee

On behalf of the Board of Directors, I am pleased to present the audited Remuneration Report for FY24. Zip's Remuneration Report details how executive remuneration outcomes are linked to corporate performance. The report details our remuneration policy and its alignment between executive remuneration and shareholder outcomes.

Substantial Total Shareholder Return (TSR) was achieved during FY24 with the share price increasing from $0.41 to $1.46 at 30 June. This represents a 256% TSR vs the ASX300 Accumulation Index which increased by 11.9% over the year.

FY24 Performance on Key Measures:**

Total Transaction Volume (TTV)	Transactions	Revenue
$10.1b	**76.2m**	**$868.0m**
+14.0% from FY23*	+4.7% from FY23*	+28.2% from FY23*

Revenue Margin	Credit Losses[1]	Cash Net Transaction Margin % of TTV[1, 2]
(Revenue % of TTV)	(Net Bad Debts % of TTV)	
8.7%	**1.6%**	**3.8%**
+96bps from FY23*	–18bps from FY23*	+96bps from FY23*

Active Customer Accounts	Core Cash EBTDA	Employee Engagement[3]
(Number of Accounts)		
6.0m	**$69.0m**	**80%**
–2.9% from FY23*	+$117.2 million improvement from FY23*	+200bps from FY23

* Comparative information has been restated to reflect discontinued operations in the current financial year. Please refer to Note 18 in the financial statements.

** All measures have been rounded to one decimal point where relevant.

1. Non-IFRS information.
2. Reported Cash Gross Profit adjusted for the movement in expected credit losses, and amortised finance costs expressed as a percentage of underlying volumes.
3. FY23 measured Australia, United States, New Zealand, United Kingdom, Canada and Mexico. FY24 measured Australia, United States, New Zealand, United Kingdom and Canada.

Remuneration Report continued

For FY24, the Company delivered very strong results underpinned by three strategic pillars: Growth and Profitability; Product Innovation and Operational Excellence. The Company strengthened and simplified the balance sheet in FY24 extinguishing $340.0 million of Senior Convertible Notes. As at June 30, the Company had $353.0 million of total cash on the balance sheet with $80.4 million in available cash and liquidity, and made a $20.0 million repayment on the corporate debt facility. Revenue grew to $868.0 million (+16.1%) with improvements in Revenue Margin to 8.7%, lower Credit Losses at 1.6% and improved Cash Net Transaction Margin of 3.8%. The Company delivered four quarters of profitable growth delivering a record Cash EBTDA of $69.0 million, a turnaround from a ($48.2 million) loss in FY23. The Americas business delivered strong profitable growth throughout the year and has driven much of the Group's outperformance. The ANZ business delivered improved revenue margin with intensive management of credit losses.

Remuneration Changes Implemented in FY24

To support the path to profitability and improve shareholder value the Board made a number of changes to KMP remuneration which increased the proportion of Senior Executive reward that is performance based. The following changes, foreshadowed in the FY23 Remuneration Report, were implemented for FY24:

- No Long-Term Equity (LTE) awards, which were previously 50% of base salary, were made to Executive KMP in a shift from retention to performance based variable awards;
- Short-Term Variable Reward (STVR) opportunity for Executive KMP was increased from 50% to 100% of base salary with performance measures focused on growth, positive unit economics and profitability;
- The Board appointed Cynthia Scott as Group CEO and Managing Director in August 2023 and set her remuneration opportunity, weighted toward long-term performance-based pay, having regard to relevant industry benchmarks;
- After completing a review of Non-Executive Director (NED) Remuneration, the People and Culture Committee (with Diane Smith-Gander excluding herself) made a recommendation to the Board to restore the total remuneration paid to the Board Chair to the amount that was paid before NEDs implemented a voluntary fee reduction in FY23. This change recognised the substantial ongoing workload and accountabilities of the Chair.

In addition to the above, and recognising the importance of the Americas market, the Board asked Larry Diamond to extend his secondment as CEO of the US business, accepting the additional secondment expenses and implementing an additional one-off incentive opportunity for Larry to support the continued turnaround of the US business.

Reward Outcomes for FY24

The Board is focused on **aligning remuneration outcomes with performance**. Very strong performance is reflected in the FY24 scorecard results and STVR award outcomes for Executive KMP. The key reward outcomes for FY24 are as follows:

- Executive KMP received STVR awards that range from 94% to 97.9% of the maximum opportunity, 50% of which will be deferred for one year; and
- LTVR tested in FY24 did not achieve the performance hurdle and no LTVR vesting occurred as a result of TSR performance in FY22 and FY23.

Leadership Changes

Cynthia Scott was appointed as Group Chief Executive Officer (CEO) and Managing Director. Cynthia's appointment as Group CEO was effective from 10 August 2023 and her appointment as Managing Director from 24 August 2023. Co-Founder Larry Diamond was appointed to the role of CEO US (effective 10 August 2023) and continued to serve as an Executive Director. Co-Founder Peter Gray was appointed to the role of CEO ANZ (effective 10 August 2023), retired from the Board effective 24 August 2023, and continued to serve the Board as an adviser. Gordon Bell was appointed as Group Chief Financial Officer (CFO) on 2 October 2023.

Remuneration Report continued

US Secondment – Larry Diamond

During FY24, the Company continued to provide Larry Diamond with relocation support including travel; accommodation; tax equalisation and compliance; healthcare and schooling support to enable a comparable standard of living. The support provided was set with reference to reasonable market practice and Zip's New York office location. The Board considered the substantially higher cost of living in New York compared to Sydney when determining relocation support. While the support provided was similar to that provided in FY23, the cost to the Company of providing the support has materially increased (FY23: $548,812; FY24: $1,281,222). The primary reasons for the increase are:

- FY24 represents a full year of costs versus part year in FY23;
- a number of significant tax concessions were no longer available after 12 months of residence in the US;
- changes in the AUD:USD exchange rate; and
- provision of an allowance to address cost of living differentials.

The value of relocation support is included in the Statutory Disclosures in this report. While Mr Diamond's continued presence in the US has represented a significant cost to the Company, the Board is satisfied that the secondment, that concluded at the end of FY24, has been justified given the strong performance of the US business under Mr Diamond's leadership.

Looking Ahead to FY25

The Board continues to focus on building long-term shareholder value. There will be a continued review of the remuneration framework so that the Company can attract and retain the talent it needs while providing fair reward outcomes aligned with Company performance and considering the shareholder experience. In FY25, variable remuneration will continue to reward Cash EBTDA profitability through the STVR plan and restore shareholder value supported by the LTVR plan. In summary, for FY25:

- STVR performance measures will continue to be weighted towards cash profitability;
- the total remuneration paid to the NEDs will be reinstated to the amount that was paid before NEDs implemented a voluntary fee reduction in FY23 with a further adjustment to recognise market movements; and
- the Board intends to seek shareholder approval at the AGM to continue to offer the NED equity plan for the next three years with some amendments to provide flexibility as to the value of shares that each NED will receive as part of their remuneration.

The Company will continue to use a mix of cash and equity awards to deliver both fixed and variable remuneration for executives. Equity awards will continue to be an important part of Zip's pay mix, particularly in the Americas where deferred equity awards are used to attract and retain key executives.

The Board's Remuneration, People and Culture Committee will continue to regularly review the Company's remuneration framework and policies to drive the Company's strategic goals, support attraction and retention of key talent and reward performance and decision making that aligns with the long-term interests of shareholders and with Zip's standards of behaviour and risk appetite.

We invite you to read the Remuneration Report and welcome your feedback.

John Batistich
Chair – Remuneration, People and Culture Committee

Contents

This remuneration report is divided into the following sections.

Remuneration Report continued

1. List of KMP for FY24

This report covers NEDs and Senior Executives considered to be KMP. The Table below identifies the KMP for Zip for FY24:

Table 1 — List of KMP for FY24

KMP	Role	Appointed	Ceased	Audit and Risk	Remuneration People and Culture	Nominations
Non-Executive Directors						
Diane Smith-Gander AO	Independent Chairperson, Non-Executive Chair	1 February 2021		Y	Y	C
Meredith Scott	Independent Non-Executive Director	1 September 2022		C	Y	Y
John Batistich	Independent Non-Executive Director	3 September 2018		Y	C	Y
Kevin Moss	Independent Non-Executive Director	21 May 2024		Y	Y	Y
Senior Executives						
Cynthia Scott	Group Chief Executive Officer (Group CEO)	10 August 2023				
	Managing Director	24 August 2023				
Gordon Bell	Group Chief Financial Officer (Group CFO)	2 October 2023				
Larry Diamond	US Chief Executive Officer (US CEO)	10 August 2023				
	Executive Director	24 August 2023				
	Global Chief Executive Officer (CEO)	1 July 2016	9 August 2023			
	Managing Director	1 July 2016	23 August 2023			
Peter Gray	ANZ Chief Executive Officer (ANZ CEO)	10 August 2023				
	Chief Operating Officer (COO)	1 July 2016	9 August 2023			
	Executive Director	11 September 2015	23 August 2023			
Martin Brooke	Chief Financial Officer (CFO)	9 January 2017	29 September 2023			

C = Chair of Committee.

Y = Member of Committee.

Remuneration Report continued

1.1 Leadership Changes Following the end of FY24

The following leadership changes were announced on 21 May 2024 and were effective from 15 July 2024:

- Joseph Heck was appointed to the role of US CEO; and
- Larry Diamond was appointed as US Chairman and will continue to serve as an Executive Director. Larry Diamond has relocated back to Australia.

2. ZIP's Remuneration Strategy, Framework and Policy

2.1 Remuneration Principles

With a focus on growth and profitability, Zip's remuneration strategy is designed to attract, motivate and retain talent to drive a high-performance culture that delivers on our business strategy and drives sustainable long-term returns for Shareholders. It is designed to ensure that there is strong alignment between remuneration and performance. This strategy is underpinned by the following principles:

Strategic Alignment	Market Competitive	Performance Based	Simple and Transparent	Enhances Culture	Sustainable Value
Provide clear alignment of remuneration with strategic objectives and shareholder value	Provide market competitive remuneration to attract and retain quality global talent	Support merit-based remuneration achievement across a diverse and inclusive workforce	Implement remuneration policies that are simple, transparent and well understood	Support appropriate risk culture and employee conduct aligned to our standards	Reward sustainable outperf-ormance

Remuneration Report continued

2.2 Remuneration Framework Summary

The Board seeks to create a simple and transparent design for remuneration. During FY24, the remuneration framework for Executive KMP was made up of four components: Fixed Remuneration (includes base salary, superannuation and any salary sacrifice), Fixed LTE[1], 'at-risk' STVR and 'at-risk' LTVR. The Table below summarises each of these components for FY24 for the Executive KMP:

Table 2 — Zip Remuneration Framework Summary

	Total Fixed Remuneration		Variable Remuneration	
Element	**Fixed Pay**	**Long-Term Equity (LTE)**	**Short-Term Variable Reward (STVR)**	**Long-Term Variable Reward (LTVR)**
Purpose	Attract and retain Executives, considering the size and complexity of the role, individual responsibilities, experience and skills in the context of the external market.	Provides Zip with a means to attract and retain high quality talent across the business by supplementing moderate Fixed Pay with equity that provides skin in the game while minimising cash drain.	STVR rewards performance against annual objectives that focus on delivering short-term strategic outcomes.	LTVR aligns Executive accountability and remuneration outcomes with the delivery of sustained group performance and shareholder interests over the long-term.
Delivery	Base salary (including salary sacrifice) and superannuation.	Rights with equal vesting over 4 years (25% per year).	50% cash; and 50% ordinary shares (subject to a 12-month restriction period for Executive KMP).	Performance rights vesting after three years, subject to achieving performance hurdles.
FY24 Approach	Fixed Pay is positioned with reference to the market median and the 75th percentile, with the Board applying judgement to recognise individual factors.	Rights are service related and subject to continued employment over the vesting period. No LTE was issued to KMP in FY24[1].	STVR is measured against a scorecard with the following performance measures with weightings to drive profitability: – Cash EBTDA (50%) – Cash NTM (30%) – TTV (5%) – Active Customers (5%) – Employee Engagement (10%)	LTVR performance hurdle is Zip TSR compared to movement in the ASX 300 Accumulation Index. Zip TSR must be positive, and vesting commences upon Zip TSR exceeding the Index by 5% compound annual growth over the performance period.

1. No grants of LTE were made to Executive KMP during FY24, however, a number of Executive KMP have LTE that was issued in prior years and which vested in FY24. For details refer to Table 20, Fixed Long-Term Equity.

Remuneration Report continued

2.3 Board Policy for Setting Remuneration

The Company recognises that to deliver on business strategy it must attract top talent in a competitive market. The Company considers the following factors in setting executive remuneration packages:

- Australia and US comparators who compete for talent with Zip;
- ASX-listed companies with a comparable market capitalisation (in particular, comparable financial and technology companies). In FY24, the industry comparator group was made up of Bendigo and Adelaide Bank Ltd (BEN); Credit Corp Group Ltd (CCP); EML Payments Ltd (EML); Humm Group Ltd (HUM); Judo Capital Holdings Ltd (JDO); Latitude Group Holdings Ltd (LFS); Link Administration Holdings Ltd (LNK); Objective Corporation Ltd (OCL); Solvar Ltd (SVR); and Tyro Payments Ltd (TYR);
- the Executive's contribution to the delivery of key strategic goals; and
- the Executive's contribution to long-term Revenue and Cash EBTDA outcomes.

The Committee sets the remuneration mix and amount considering the above factors, along with market conditions and sentiment, the Company's growth trajectory, strategic objectives, competencies and the skill sets of individuals, talent scarcity, changes in role complexities and geographic location.

When assessing remuneration, the Company seeks to position KMP remuneration competitively with reference to the median and 75th percentile of market comparators, with 'at-risk' STVR and 'at-risk' LTVR supporting decision making and performance aligned to Shareholders' long-term interests. The Board's approach is to build a strong alignment between pay outcomes and performance.

a. Total Fixed Remuneration

Fixed Remuneration includes base salary, superannuation, salary sacrifice items and Fixed LTE.

When reviewing Fixed Remuneration for Executive KMP, the Committee references comparators outlined above and relevant to the market sector in the context of the individual's role and performance. The Committee has been mindful of the significant variation in Zip's market capitalisation when it has assessed remuneration.

b. Variable Remuneration and Total Remuneration Package

Total Remuneration Package (TRP) is composed of Fixed Remuneration, STVR and LTVR.

The Board aims to set the STVR and LTVR opportunities for Executive KMP so that total at target remuneration outcomes above the market median are achievable based on performance. This approach is intended to drive performance and value creation for Shareholders.

2.4 Key Issues Considered by the Board in FY24

The Board undertakes regular reviews of the remuneration framework aligned to the business strategy while remaining alert to changes in the market for talent. Market benchmarking is used to assess whether the remuneration framework remains fair and competitive against the comparator companies.

During FY24, the Board considered a range of remuneration issues and made enhancements to the remuneration framework, including:

- setting remuneration for the CEO and Managing Director, with a weighting towards long-term performance based pay;
- determining not to make Long-Term Equity awards to Executive KMP, which were 50% of base salary in FY23;
- increasing the proportion of Senior Executive reward based on performance by increasing the STVR opportunity from 50% to 100% of base salary;
- delivering 50% of STVR awards in cash and 50% in Zip shares that are deferred for one year;

Remuneration Report continued

- revising and extending the Minimum Shareholding Policy so that it now applies to Non-Executive Directors and Senior Executives;
- continuing a scorecard of performance hurdles for the STVR Plan weighted in line with the strategy to deliver cash profitability with improved unit economics; and
- maintaining TSR as the sole performance hurdle for the LTVR Plan to directly align the award opportunity with Shareholders' long-term interests. Zip TSR must be positive, and vesting commences upon Zip TSR exceeding the ASX 300 Accumulation Index by 5% compound annual growth over the performance period. The maximum award is achieved if Zip TSR exceeds the ASX 300 Accumulation Index by 10% compound annual growth or more over the performance period.

The Board also considered whether the introduction of a second LTVR performance measure was appropriate. It was the Board's view that the relative TSR measure best aligns rewards with shareholder outcomes, however, this will be further considered for future LTVR awards.

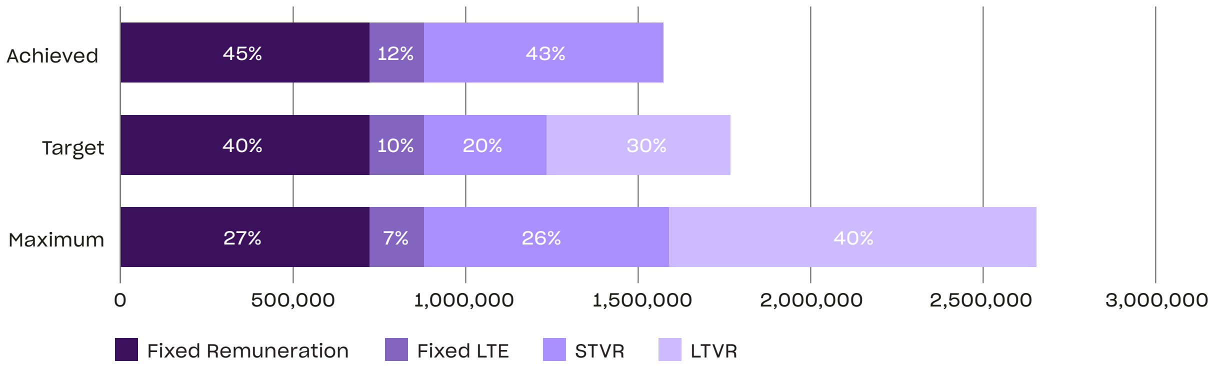
2.5 Remuneration Mix and Outcomes

The Executive KMP Remuneration mix refers to the proportion of remuneration that Senior Executives can receive as Fixed Remuneration (including LTE Rights) and any variable 'at risk' remuneration.

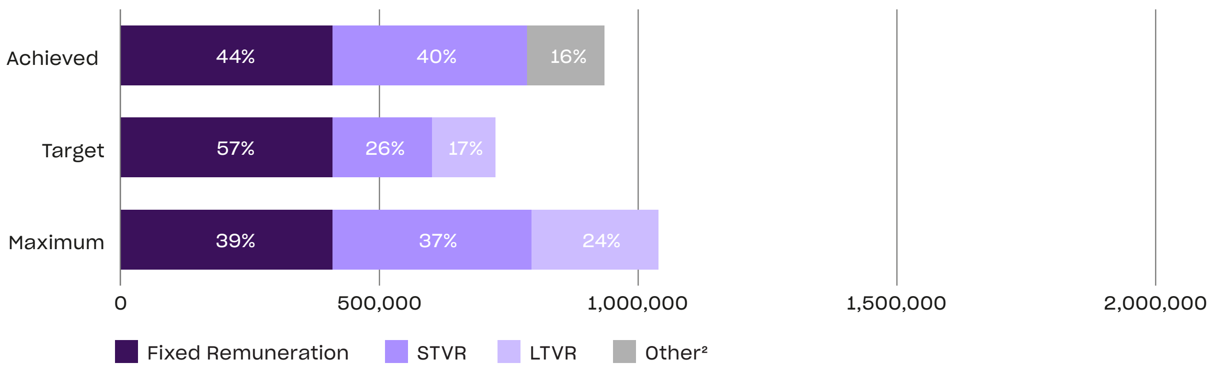
The Figure below features three graphs depicting the 'Achieved' FY24 remuneration mix for the Executive KMP (except for Martin Brooke who ceased as KMP on 29 September 2023) relative to the 'Target' and 'Maximum' level of performance. No LTVR vested during FY24 so LTVR is not shown in "Achieved" remuneration.

Figure 1 – FY24 Remuneration Opportunities and Outcomes

(a) Cynthia Scott, Group CEO and Managing Director[1]

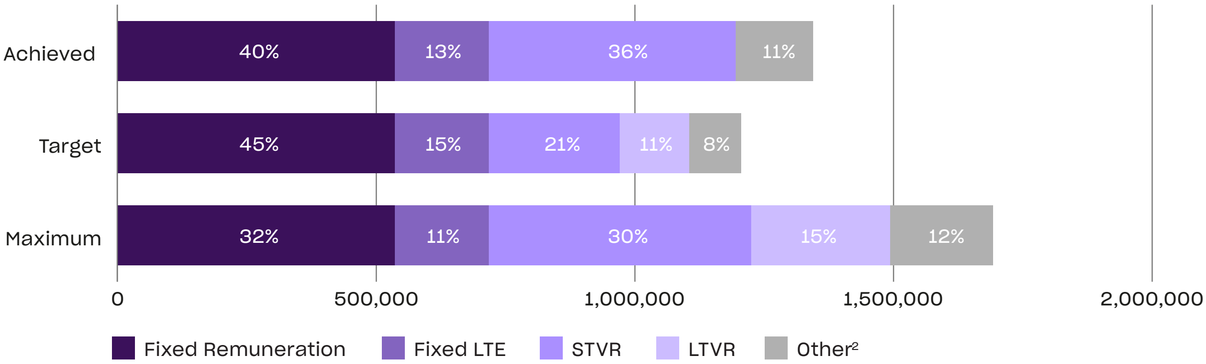


(b) Gordon Bell, Group CFO[1]

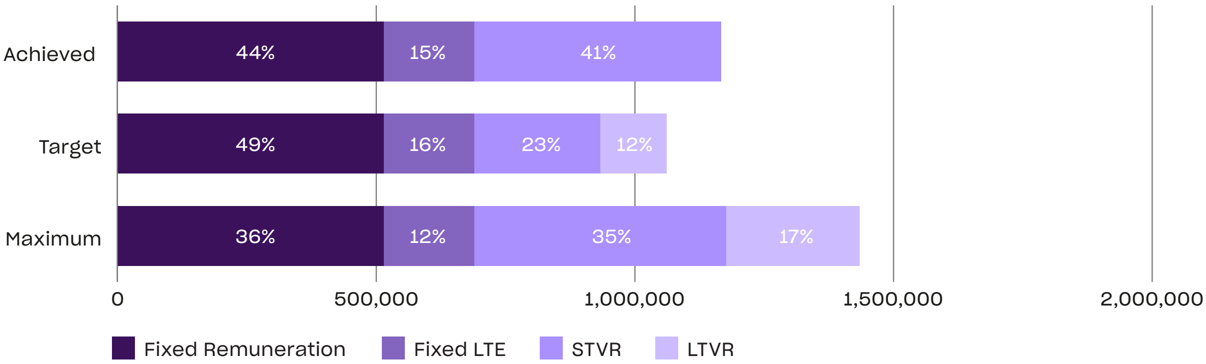


Remuneration Report continued

(c) Larry Diamond, US CEO and Executive Director



(d) Peter Gray, ANZ CEO



1. Amounts shown are for time served as an employee of Zip during the year (amounts are not pro-rata for KMP period). Cynthia Scott and Gordon Bell did not have an LTVR opportunity vesting in FY24. Gordon Bell did not receive any grants under the Long-Term Equity Plan.
2. "Other" includes an additional one-off incentive that was linked to Larry Diamond's US Assignment and a discretionary bonus paid to Gordon Bell.

Remuneration Report continued

2.6 Remuneration Delivery Profile

Remuneration at Zip is delivered in cash and equity vesting over a number of years. The Table below outlines when the different components of remuneration are awarded and the time period over which they are paid or vest:

Table 3 — Executive KMP Remuneration Delivery Profile

Type	Component	Instrument	Year 1	Year 2	Year 3	Year 4
Total Fixed Remuneration	Fixed Pay	Base salary and Superannuation	Paid			
	LTE	Rights subject to continued employment	▲ Grant 25% vest ●	25% vest ●	25% vest ●	25% vest ●
Variable At-Risk	STVR	Ordinary shares and cash subject to performance against scorecard. 50% delivered in cash, 50% delivered in ordinary shares deferred for 12 months.	Cash paid and Shares granted ▲	Shares vest ●		
	LTVR	Performance Rights subject to achievement of TSR performance hurdle	▲ Grant		Vest ●	

▲ Grant

● End of deferral/performance period

3. Alignment Between Performance and Remuneration

3.1 Performance on Key Measures

The Board remains focused on linking variable remuneration outcomes for Executive KMPs with Company performance and Shareholders' experience, whilst balancing the need to attract and retain key talent to deliver on the Company's strategic goals.

During FY24 the Company made significant progress in executing against strategic priorities including growth in the core ANZ and Americas markets, improving unit economics, delivering cash profitability and strengthening the balance sheet to support sustainable growth. This progress is reflected in a substantial increase in shareholder value with TSR growing by 256%. These outcomes are reflected in Executive KMP STVR awards.

Remuneration Report continued

3.2 Performance Indicators Over Last Five Years

The Board remains committed to continuing to build shareholder value over the long-term and has continued to take actions to position the Company to continue to deliver positive cash EBTDA. The Table below outlines the key performance measures over the last five years:

Table 4 — Performance Indicators Over Last 5 Years*

Year ending 30 June	FY24	FY23	FY22	FY21	FY20
Total Transaction Volume ($ billions)	10.1	8.9	8.3	5.8	2.1
Active Customer Accounts (millions)	6.0	6.2	6.4	5.7	2.1
Gross Receivables ($ billions)	2.6	2.8	2.7	2.1	1.2
Revenue ($ millions from continuing operations excluding Other Income)	868.0	677.2	596.9	392.1	160.1
Cash Net Transaction Margin (%)	3.8%	2.8%	2.5%	3.1%	3.8%
Cash EBTDA ($ millions)	69.0	(48.2)	(151.4)	(37.2)	3.5
Share Price High ($)	1.60	1.72	8.78	14.53	6.97
Share Price Low ($)	0.26	0.40	0.44	4.96	1.05
Share Price Close ($)	1.46	0.41	0.44	7.57	5.23
Dividends paid in year	–	–	–	–	–

* Comparative information may have been restated to reflect discontinued operations in the current financial year.

3.3 FY24 Achieved Total Remuneration

The following table outlines the 'Achieved' Total Remuneration (what became payable or vested for the FY24 measurement period for fixed and variable remuneration). The figures in this table differ from the Statutory Remuneration Table, which has been prepared in accordance with the accounting standards and therefore includes accounting values for unvested equity under the LTE and LTVR Plans. This table is designed to show what Executives actually received for performance in FY24.

Remuneration Report continued

Table 5 – FY24 Achieved Total Remuneration

KMP	Roles	Fixed Remuneration Amount	Fixed Remuneration % of TRP	Value of Fixed LTE Vested During FY24[1] Amount	Value of Fixed LTE Vested During FY24[1] % of TRP	STVR Awarded Following Completion of FY24[2] Amount	STVR Awarded Following Completion of FY24[2] % of TRP	Value of LTVR Vested Following Completion of the Measurement Period Amount	Value of LTVR Vested Following Completion of the Measurement Period % of TRP	Other Awards[3] Amount	Other Awards[3] % of TRP	Total Remun-eration Package (TRP)
Cynthia Scott[4]	Group CEO and Managing Director	$721,203	45%	$183,552	12%	$692,960	43%	$0	0%	$0	0%	$1,597,715
Gordon Bell[4]	Group CFO	$409,632	44%	$0	0%	$375,013	40%	$0	0%	$150,000	16%	$934,645
Larry Diamond[5]	US CEO and Executive Director	$535,600	40%	$181,283	13%	$477,708	36%	$0	0%	$150,000	11%	$1,344,591
Peter Gray	ANZ CEO	$515,000	44%	$173,972	15%	$477,360	41%	$0	0%	$0	0%	$1,166,332
Martin Brooke[4]	CFO	$280,325	75%	$93,022	25%	0%	0%	$0	0%	$0	0%	$373,347

1. This is the grant value of the LTE that vested during the reporting period.
2. This is the value of the total STVR award calculated following the end of FY24.
3. Other Awards include a one-off incentive that was linked to Larry Diamond's US Assignment and a discretionary bonus paid to Gordon Bell.
4. Amounts shown are for time served as an employee of Zip during the year (amounts are not pro-rated for KMP period).
5. Does not include the value of relocation assistance provided to Larry Diamond to support his secondment to the US.

4. Executive KMP Remuneration

4.1 Fixed Remuneration Framework and Outcome

The Table below outlines the framework for Fixed Remuneration.

Table 6 — Fixed Pay – Salary and Superannuation – Key Terms

Purpose	Attract and retain Executives, considering the size and complexity of the role, individual responsibilities, experience and skills.
Delivery	Fixed Remuneration comprises cash salary, salary sacrifice items (where applicable) and superannuation contributions.
Participants	All Executives.
Target	Highly competent, experienced and able Executives will be positioned at or around the median of the market benchmark, however, there will be flexibility to move up to the 75th percentile for exceptional recruits into key high-demand roles.

Remuneration Report continued

Approach	Our Fixed Remuneration is positioned having regard to the role, responsibilities, criticality, complexity, skills, experience, performance and the remuneration paid by comparable companies with whom Zip competes for talent. An annual review process assesses adjustments to Fixed Remuneration for changes in role or promotion, internal equity and significant market changes. Any increase to KMP remuneration requires Remuneration, People and Culture Committee endorsement and Board approval.

The Board reviewed remuneration for Executive KMP and made no changes to Fixed Pay for FY24.

Table 7 — Fixed Pay During FY24

Role	Executive	Fixed Remuneration at the End of FY23	Fixed Remuneration at the End of FY24	Change
Group CEO and Managing Director[1]	Cynthia Scott	–	737,399	–
Group CFO	Gordon Bell	–	517,399	–
US CEO and Executive Director[2]	Larry Diamond	535,600	535,600	0%
ANZ CEO	Peter Gray	515,000	515,000	0%
CFO[3]	Martin Brooke	475,292	–	–

1. Prior to her appointment as Group CEO and Managing Director Cynthia Scott was an executive at Zip but not a KMP.
2. Does not include the value of relocation assistance provided to Larry Diamond to support his secondment to the US.
3. Martin Brooke ceased as KMP on 29 September 2023 and as an employee of Zip on 31 January 2024.

4.2 LTE Framework and Outcome

The table below outlines the framework for LTE grants. No LTE grants were made to Executive KMP during FY24, however, the Board did increase the STVR opportunity for Executive KMP from 50% to 100% of base salary. The Board intends to provide fair and competitive base salary and performance based rewards in the future. Details of LTE awards made in prior years are set out in Table 20.

Table 8 — Fixed Remuneration: LTE – Key Terms

Purpose	The LTE plan is designed to compensate Executives for a moderate positioning of Fixed Pay and is designed to bring Total Fixed Remuneration closer in line with the global market. The LTE provides the Company with the opportunity to retain senior leaders and attract high quality talent, particularly in the US where the use of LTE is common.
Delivery	The LTE rewards retention and is based upon service rather than performance which is covered in the STVR and LTVR. The rights vest in equal tranches over four years (i.e. 25% per year). There are no disposal restrictions on the shares Executives receive upon vesting of the Rights other than trading in adherence to the Zip Securities Trading Policy and compliance with the Minimum Shareholding Policy.
Participants	Executive KMP and Executives with high demand skills, especially in the US.
Instrument	Awards are made under the Zip Equity Incentive Plan and are made in the form of Rights with a nil exercise price, which upon vesting confer the entitlement to one ordinary share in Zip (or the cash equivalent value at the discretion of the Board).

Remuneration Report continued

Allocation method	Rights are granted on a face value basis by dividing the participant's LTE dollar value opportunity in AUD by the 30-day Volume Weighted Average Price (VWAP) of Zip shares traded in the period immediately leading up to and including the date of release of the Zip results immediately preceding the grant date. For new starters the Board may determine a different allocation method to address individual circumstances.
Approach	The LTE is granted as Rights to participants, which vest subject to continuing service.
Opportunity	In FY22 and FY23 Executive KMP had the opportunity to be awarded 50% of base salary vesting over four years.
Malus	Malus and clawback provisions apply. For further detail refer to the Governance and Risk Management section of this report.
Cessation of Employment	If the participant ceases employment, then all of their unvested rights automatically lapse unless the Board determines otherwise. In the case of death or permanent disability, the Board reserves the discretion to pro rata the award in line with service.
Change of Control	In the event of a change of control, the Board has the discretion to determine the treatment of all unvested Rights.

4.3 STVR Framework and Outcome

The table below outlines the framework for STVR.

Table 9 — FY24 STVR Key Terms

Purpose	Rewards financial and non-financial performance consistent with Zip's strategy over the short-term.
Opportunity	Executive KMPs can be awarded up to 100% of base salary if Stretch performance is achieved.
FY24 Performance Measures	For FY24, STVR performance was based on a scorecard aligned to key strategic priorities with the following measures: – Financial: Cash EBTDA (50%), Cash NTM (30%) and TTV (5%); – Customer: Active Customers (5%); and – People: Employee Engagement (10%). These performance measures were chosen to best reflect financial and non-financial performance aligned to Zip's strategy of transitioning from growth to profitability and sustainable growth over the short-term. The performance measures and hurdles were reviewed and approved by the Board.

Remuneration Report continued

Assessment of Performance	Performance measures for the STVR scorecard features Target and Stretch performance hurdles that are set as follows: – Financial: Cash EBTDA, Cash NTM and TTV, targets were set by the Board with reference to the approved budget; – Customer: Active Customers targets were set by the Board with reference to the ANZ and US budgets; and – People: Employee Engagement Score: target was set with reference to external benchmarks and prior year performance. The following payout scale applies for the STVR: – below Target performance, no STVR will be awarded; – at Target performance, 50% of the maximum will be awarded; – above Target and below Stretch performance, a pro rata STVR will be awarded; and – at or above Stretch performance, the maximum STVR will be awarded.
Delivery	For the Executive KMP it is the Board's intention to deliver 50% of the STVR in cash and 50% in Zip shares that are deferred for one year. All deferred STVR awards are subject to malus and clawback provisions. Deferred shares have rights to any dividends declared during the deferral period.
Allocation Method	The number of deferred shares is calculated on a face value basis by dividing the participant's assessed STVR dollar value by the Zip share price (using the 30-day VWAP up to and including the Q4 results release) or as otherwise determined by the Board. All trading is subject to the Zip Securities Trading Policy.
Cessation of Employment	If an Executive leaves during the performance period, then they will forfeit their entitlement to an award unless the Board determines otherwise. If an Executive leaves during the deferral period, then they will retain their shares subject to malus and clawback provisions.
Change of Control	Where a transaction or event is proposed that, in the opinion of the Board, may result in a person becoming entitled to control Zip, the Board retains the discretion (to be exercised consistently with the ASX Listing Rules) to determine that a particular treatment will apply to deferred shares.
Board Discretion	The Board retains absolute discretion in respect of STVR awards and final outcomes. As part of its overarching discretion, the Board may reduce final STVR awards having regard to affordability considerations and the Group's financial performance over the period. In addition to this overarching discretion, final STVR outcomes will be subject to a Board discretion modifier for "doing the right thing" whereby the Board may make downward adjustments (including to zero) for regulatory issues, conduct issues, brand and reputational issues, and non-financial and financial risk issues.
Malus	Malus and clawback provisions apply. For further detail refer to the Governance and Risk Management section of this report.

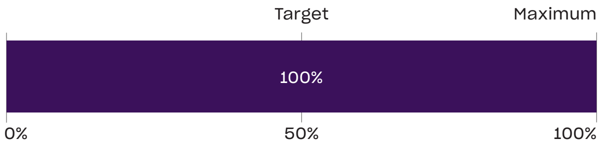
Company Scorecard and STVR Outcomes for FY24

For FY24, Target and Stretch performance targets were established for each measure in the STVR Plan scorecard. Meeting the Stretch performance hurdle will earn 100% of the award whilst meeting the Target performance hurdle will attract a 50% outcome. Any result above the Target, but below the Stretch, is rewarded on a pro-rata basis. Any result below the Target will not qualify for any award on that performance measure. The table below shows the outcome against the FY24 Company scorecard measures:

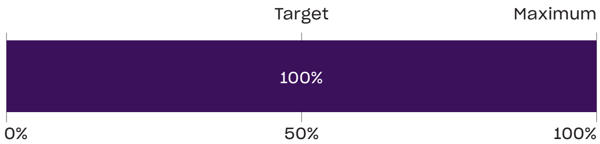
Remuneration Report continued

Table 10 — Company Scorecard Outcomes for FY24

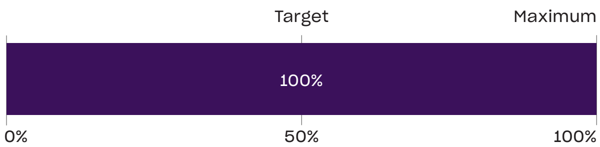
Strategic Alignment	Measure	Weighting %	Reason Chosen	Targets	Outcome	Vesting %	Award %
Financial	Earnings Before Taxes Depreciation Amortisation (Cash EBTDA)	50%	Cash EBTDA was selected as a measure of profitability in line with the strategy to deliver Group cash EBTDA profitability in FY24	Set with reference to budget and FY23 Actual: (48.2 million) loss	**FY24 Actual: 69.0 million** Performance above Stretch was achieved driven by strong volumes in the US and margin expansion in both core markets	100%	50%



	Cash Net Transaction Margin (NTM)	30%	Cash NTM was selected in line with strategy to improve the unit economics of the business	Set with reference to budget and FY23 Actual: 2.8%	**FY24 Actual: 3.8%** Cash NTM was above the Stretch hurdle due to higher revenue margin and disciplined credit performance in both core markets	100%	30%

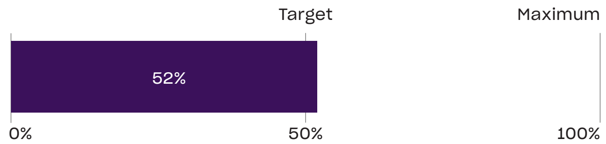


	Total Transaction Volume (TTV)	5%	TTV was selected to measure use of the Company's products in terms of the value of customer transactions in core markets	Set with reference to budget and FY23 Actual: 8.9 billion The Stretch target was set moderately above the FY23 result as the actions taken to improve credit losses and drive margin expansion in both core markets were expected to limit the opportunity for TTV growth	**FY24 Actual: 10.1 billion** TTV was above the Stretch hurdle driven by strong volumes in the US, which were achieved with improved credit losses	100%	5%

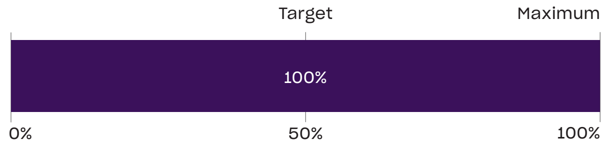


Remuneration Report continued

Strategic Alignment	Measure	Weight-ing %	Reason Chosen	Targets	Outcome	Vesting %	Award %
Customer	Active Customers	5%	Active Customers was selected as a measure of customer engagement with Zip products	Set with reference to ANZ and US budgets and FY23 Actual: 6.2 million The Stretch target was set moderately above the FY23 result as the actions taken to improve credit losses and drive margin expansion in both core markets were expected to negatively impact customer numbers	**FY24 Actual: 6.0 million**	52%	2.6%



People	Employee Engagement	10%	Employee Engagement reflects employee satisfaction and willingness to apply discretionary effort to drive performance	Set with reference to external benchmarks and FY23 Actual: 78% The Stretch target was set above industry benchmarks and moderately above the FY23 result as the Board considered that maintaining high employee engagement during a period of careful cost management would represent very good performance	**FY24 Actual: 80%**	100%	10%



STVR Outcome for FY24	**97.6%**

Remuneration Report continued

STVR outcomes are aligned with the very strong results achieved and positive outcomes for shareholders. Scorecard results and STVR outcomes are significantly higher than those achieved in FY22 (scorecard: 28.6%) and FY23 (scorecard: 13.7%), reflecting the substantial turnaround in the business. The Board's intention is to deliver STVR awards as 50% cash and 50% shares that are deferred for one year. STVR awards are outlined in the table below:

Table 11 — STVR Outcomes in FY24

Executive	Maximum STVR $ Opportunity	Maximum STVR Opportunity as a % of Base Salary	% of Maximum STVR Awarded	Value STVR Awarded $	% of Maximum STVR not Awarded
Cynthia Scott Group CEO and Managing Director	$710,000	100%	97.6%	$692,960	2.4%
Gordon Bell[1] Group CFO	$384,235	100%	97.6%	$375,013	2.4%
Larry Diamond[2] US CEO and Executive Director	$508,200	100%	94.0%	$477,708	6.0%
Peter Gray[2] ANZ CEO	$487,600	100%	97.9%	$477,360	2.1%
Total				**$2,023,041**	

1. Gordon Bell's STVR outcome is a pro-rata award based on his period of service during FY24.
2. STVR outcomes for Larry Diamond and Peter Grey are assessed against Company scorecard outcomes and the relevant region scorecard outcomes.

Additional Incentive Opportunity – Larry Diamond

Larry Diamond participated in an additional one-off incentive that was linked to his US Assignment. The maximum opportunity was $200,000, with the outcome determined by the Board based on achievement of specific US targets over and above those included in the STVR:

Target Category	Measures	Weighting	Outcome
Financial Performance	– Q4 Cash EBTDA above stretch – Cash NTM above stretch	40%	40%
Merchant TTV	– Merchant TTV Growth above stretch	20%	0%
Funding to Support Growth	– Receivables funding	20%	20%
Executive Succession	– US CEO and executive succession	20%	15%

Based on the Board's assessment, Mr Diamond was awarded an additional bonus of $150,000 which is 75% of the maximum opportunity. This will be paid in cash in September.

Discretionary Bonus – Gordon Bell

The Board approved payment of a $150,000 discretionary bonus to Gordon Bell, Group CFO, in recognition of his contribution towards the successful delivery of a number of debt and capital management initiatives that have strengthened the balance sheet and delivered significant ongoing savings for the Company. This bonus will be paid 50% as cash in September and 50% as shares deferred for one year.

Remuneration Report continued

4.4 LTVR Framework and Outcome

The Table below provides the framework for LTVR.

Table 12 — FY24 LTVR Plan Key Terms

<table>
<tr><td>Purpose</td><td>The LTVR aligns Executive accountability and remuneration outcomes with the delivery of sustained group performance and shareholder interests over the long–term. The plan is designed to vary remuneration outcomes in line with the extent of longer–term (three year) performance achievement focused on shareholder returns.</td></tr>
<tr><td>Participants</td><td>All Executive KMPs and selected Senior Executives.</td></tr>
<tr><td>Award Opportunity</td><td>For FY24, the Group CEO and Managing Director received an LTVR award with a maximum (face value) of 150% of base salary. Other Executive KMPs received LTVR awards with a maximum (face value) of 50% of base salary.</td></tr>
<tr><td>Instrument</td><td>Awards are made under the Zip Equity Incentive Plan and are made in the form of Performance Rights (Rights) with a nil exercise price which entitle the holder to one share in Zip upon vesting (or cash equivalent at the discretion of the Board).</td></tr>
<tr><td>Allocation Method</td><td>Rights are granted on a face value basis by dividing the participants LTVR dollar value opportunity in AUD by the 30-day Volume Weighted Average Price (VWAP) of Zip shares traded in the period prior to the release of Zip's annual financial results immediately preceding the grant date.</td></tr>
<tr><td>Performance Period</td><td>The measurement period for assessing TSR performance is three years and is aligned with the release of results to ensure that the share price, upon which the TSR is determined, reflects an informed market.</td></tr>
<tr><td>Vesting Conditions</td><td>A participant must remain employed for the rights to vest (subject to good leaver treatment outlined below). Vesting is based on the level of achievement against the Performance Hurdle.</td></tr>
<tr><td>FY24 Performance Hurdle</td><td>Zip's TSR compared to movement in the ASX 300 Accumulation Index. Performance hurdles for the FY24 LTVR are:
<table>
<tr><th>Zip's TSR (on a Compounding Annual Growth Basis) Compared to Movement in the ASX 300 Accumulation Index</th><th>% Vesting</th></tr>
<tr><td>≥ index movement + 10%</td><td>100%</td></tr>
<tr><td>> index movement + 5% and < index movement + 10%</td><td>Pro–rata</td></tr>
<tr><td>= index movement + 5%</td><td>50%</td></tr>
<tr><td>< index movement + 5%</td><td>0%</td></tr>
</table>
In addition, Zip's TSR must be positive over the performance period unless the Board determines otherwise.</td></tr>
<tr><td>Retesting</td><td>For grants made prior to FY22, any unvested Performance Rights at the first two testing points were carried forward and if the TSR hurdle at the final testing point was achieved, 100% of all the Performance Rights initially granted would vest. Importantly, from FY22 this retesting clause was removed and any Rights that do not vest at the testing point will lapse.</td></tr>
<tr><td>Malus</td><td>Malus and clawback provisions apply. For further detail refer to the Governance and Risk Management section of this report.</td></tr>
</table>

Remuneration Report continued

Cessation of Employment	Subject to Board discretion if a participant ceases to be employed: – In "bad leaver" circumstances (e.g. termination for cause) during the performance period, all of the unvested LTVR rights will lapse (unless the Board determines otherwise); and – In "good leaver" circumstances (i.e. other than a bad leaver), the treatment of unvested LTVR rights will be at the discretion of the Board (subject to applicable laws). The Board's intention is that the LTVR rights will be pro-rated to time served during the Performance Period and left to be tested and vest in the ordinary course subject to achievement of the performance hurdle.
Change of Control	Where a transaction or event is proposed that, in the opinion of the Board, may result in a person becoming entitled to control Zip, the Board retains the discretion (to be exercised consistently with the ASX Listing Rules) to determine that a particular treatment will apply to the LTVR Plan including that all unvested rights will lapse.

Awards were issued to Executive KMP under the LTVR Plan during FY24. The LTVR grant for the Group CEO and Managing Director has a maximum award opportunity of 150% of base salary, for other Executive KMP, their maximum award opportunity is 50% of base salary. In line with ASX Listing Rule 10.14, the grants for the two Executive Directors and Peter Gray were approved by Shareholders at the AGM held on 9 November 2023. The Total Shareholder Return performance hurdle will be assessed in September 2026.

Table 13 — LTVR Granted in FY24

Executive	LTVR Opportunity $	Maximum LTVR Opportunity as a % of Base Salary	Number of Rights Granted	Vesting Dates
Cynthia Scott Group CEO and Managing Director	$1,065,000	150%	2,568,741	September 2026
Gordon Bell Group CFO	$245,000	50%	590,931	September 2026
Larry Diamond US CEO and Executive Director	$254,100	50%	612,880	September 2026
Peter Gray ANZ CEO	$243,800	50%	588,037	September 2026

Remuneration Report continued

Table 14 — LTVR Vesting Outcomes in FY24 (Awards Granted in FY19)

The Executive KMP were granted a three-year upfront LTVR in February 2019. The starting point for the program was a share price of $0.95 being the 10-day VWAP before the release of the Appendix 4E for the year to 30 June 2018. During FY24, the second and third (final) tranches of this LTVR award were eligible to be assessed. Based on the performance assessment against the TSR hurdles the LTVR did not vest. The table below sets out the maximum number of rights that could have vested and outcome of the performance assessment:

Executive	Rights Eligible to Vest	Maximum Performance Target	Actual Performance Outcome	% of Maximum Vested	Rights Vested	Rights Forfeited
Larry Diamond US CEO and Executive Director	406,667	2.36	0.34	0%	0	406,667
Peter Gray ANZ CEO	406,667	2.36	0.34	0%	0	406,667
Martin Brooke Former CFO	320,000	2.36	0.34	0%	0	320,000

The performance assessment for the FY22 LTVR award is due in September 2024. Zip's TSR performance is not expected to meet the hurdle and it is likely that all outstanding LTVR rights from the FY22 LTVR award will lapse.

4.5 Executive Service Agreements

Remuneration and other terms of employment for Executive KMP are formalised in service agreements which are ongoing, with no fixed term. Termination provisions are outlined in the table below:

Table 15 — Executive KMP Service Agreements

Periods of notice required to terminate Executive KMP	Either party may terminate the employment agreement on six months' notice.
Termination payments	The Company may make a payment in lieu of notice at the discretion of the Board where termination occurs other than for cause.

For Non-Executive Directors there are no service agreements, however letters of appointment do apply; tenure and retirement/resignation as a director is governed by the *Corporations Act 2001* and the Company's constitution. Non-Executive Directors are not entitled to any termination payments.

Remuneration Report continued

5. Governance and Risk Management

5.1 Governance Framework

Designed to attract and retain high-performance talent to deliver sustainable shareholder returns and meet regulatory requirements, Zip's remuneration governance framework is led and approved by the Board with input from shareholders, Proxy Advisors and Remuneration Advisors. The Board delegates responsibility for policies and framework to the Remuneration, People and Culture Committee.

The Zip Board reviews and approves remuneration policy and principles, remuneration frameworks for Senior Executives and NEDs, and specific remuneration outcomes for Executive KMP and Senior Executives. The Remuneration, People and Culture Committee is the governing body for developing, monitoring and assessing remuneration strategy, policies and practices across the Company on behalf of the Board. The role of the Committee is to review, challenge, assess and as appropriate, endorse the recommendations made by management for Board approval. It oversees the Company's remuneration framework and assists the Board to implement a remuneration strategy and policy that is fair, responsible, effective and competitive. The Committee refers to the remuneration framework and policies when developing Board recommendations about Executive KMP remuneration outcomes and reviews any variations to maintain framework integrity. The Figure below outlines the Zip Remuneration Governance Framework:

Figure 2 – Remuneration Governance Framework

BOARD

- Approves the overall remuneration policy and ensures it is competitive, fair and aligned to the long-term interests of the Company and shareholders.
- Approves Senior Executives and other KMP remuneration.
- Assesses Company performance and determines variable reward outcomes for Senior Executives.

COMMITTEE

The Remuneration, People and Culture Committee has delegated responsibility by the Board to make recommendations on:

- The remuneration policies and framework;
- Non-Executive Director and Senior Executive remuneration;
- The extent of the Senior Executive achievement against performance hurdles; and
- Executive variable incentive plans.

MANAGEMENT

- Provides information relevant to remuneration decisions and make recommendations to the Committee.
- Executes the Board approved remuneration framework throughout the organisation.

CONSULT SHARE-HOLDERS AND PROXY ADVISORS

REMUNERATION ADVISORS

The Committee may appoint and engage independent advisors directly in relation to remuneration matters. Advice is used to assist the Board with decisions made through the Board and Committee process.

The Committee Charter sets out the Committee's roles, responsibilities, composition, structure and membership requirements. The Committee is independent of Management when making recommendations affecting employee remuneration. Where appropriate, the Group CEO and Managing Director, Group CFO and Chief People Officer attend Committee meetings as invitees, however, they do not participate in formal decision-making or in discussions relating to their own remuneration.

Remuneration Report continued

5.2 Risk Management

A sound risk management culture is important to Zip. All performance is assessed by the Board with reference to Company risk management policies. The Board retains the ultimate discretion to adjust remuneration outcomes and/or unvested variable rewards (including to zero) to address poor behaviours or risk taking that is outside of the Board approved risk appetite.

The Company's STVR and LTVR Plans have been designed to protect the Company from the risk of unintended or unjustified pay outcomes by allowing risk factors to be considered over long periods and by way of a variety of measures that are considered key to the Company's success. For example:

- basing the STVR on five financial, customer and people performance measures, including Target performance hurdles before any STVR on a measure is able to be paid;
- applying a Board discretion modifier to STVR outcomes for "doing the right thing" whereby the Board may make downward adjustments (including to zero) for regulatory issues, conduct issues, brand and reputational issues, and non-financial and financial risk issues;
- deferring a component (50%) of STVR for Executive KMP which is subject to malus and which aligns reward with shareholder value; and
- distributing remuneration components across both long and short-term performance-based components to encourage prudent risk-taking in line with the overall objectives of the Company.

Malus and Clawback

In addition to considering risk in the design of variable pay plans, the following malus and clawback provisions apply to the LTE, Deferred STVR and LTVR plans.

Amongst other things, the Board may elect to forfeit any unvested awards (i.e. malus) or recoup any vested and paid awards (i.e. clawback) in the following circumstances:

- a participant has engaged in serious misconduct (including but not limited to fraud, dishonesty, gross negligence or a breach of employment conditions);
- a material misstatement in, or omission from the Group's financial statements or a misstatement of an applicable vesting condition;
- a participant has acted or failed to act in a way that has contributed to material reputational damage to the Group; or
- in the opinion of the Board, acting in good faith, all or part of the initial award is no longer justified having regard to the circumstances or information which has subsequently come to light.

5.3 Minimum Shareholding Policy

The Minimum Shareholding Policy is designed to strengthen alignment with shareholders by encouraging a focus on prudent risk taking and the creation of long-term shareholder value. A Minimum Shareholding Policy has been in place for Non-Executive Directors since October 2021. During FY24 the Board reviewed this policy and has extended its application to Executive KMP. Key requirements are as follows:

Directors and Executive KMP are required to achieve a minimum holding of Zip shares within five years:

- for Non-Executive Directors, from the later of October 2021 or their date of commencement; and
- for Executive Directors and other Executive KMP, from the later of five years from April 2024 or their appointment as an Executive Director or Executive KMP.

Remuneration Report continued

The minimum shareholding requirements are:

- for Non-Executive Directors, a shareholding with a monetary value (at acquisition) equal to their annual Board fee;
- for the Group CEO and Managing Director and other Executive Directors, a shareholding with a monetary value (at acquisition) of 100% of base salary; and
- for other Executive KMP, a shareholding with a monetary value (at acquisition) of 50% of base salary.

5.4 Use of Board Discretion

The Board assessed outstanding LTVR and LTE awards for Martin Brooke who ceased employment during FY24. The Board determined that outstanding awards would be retained on a pro-rata basis and remain subject to performance hurdles, where applicable.

The Board also approved a discretionary bonus for Gordon Bell, Group CFO. Further detail is outlined on page 36 of this report.

6. Non-Executive Director (NED) Remuneration Policy

The remuneration policy for NEDs seeks to deliver market competitive fees to attract and retain talented, qualified directors, preserve independence, and align director and shareholder interests. The Board policy is to remunerate NEDs at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the NEDs and reviews their remuneration annually, based on market practice, duties and accountability. Fees are paid for service on the Board and for membership and/or chairing of the Audit and Risk, and Remuneration, People and Culture Committee. No additional fees are paid for membership of the Nomination Committee and the Board chair receives no additional fees for serving on Committees.

Once appointed all NEDs enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation relevant to the office of Director. All current NEDs were appointed for an initial term of three years (subject to election by shareholders). The service agreements for the NEDs do not carry notice period provisions, nor do they provide for any termination benefits. All Directors must retire from office at the third annual general meeting after the Director was last elected and will then be eligible for re-election.

Board Composition

On 21 May Kevin Moss, independent NED was appointed to the Board. Mr Moss is based in the US and brings a deep understanding of the US market and broad commercial expertise including risk management. The appointment of Mr Moss increased the Zip Board from five to six Directors, four independent NEDs and two Executive Directors (being the Group CEO and Managing Director and US CEO).

The Board regularly reviews the collective skills, knowledge, experience and diversity required to support its ongoing performance and governance duties, with a view to identifying skills, capacity and market knowledge to support Zip's continued growth and long-term success.

Remuneration Report continued

6.1 NED Fees

To maintain independence and impartiality, NEDs do not receive performance-related remuneration such as share options or rights with a performance condition.

After completing a review of NED remuneration, the Remuneration, People and Culture Committee (with Diane Smith–Gander excluding herself) made a recommendation to the Board to restore the total remuneration paid to the Board Chair to the amount that was paid before NEDs implemented a voluntary fee reduction in FY23. In FY24 the Board Chair received a Main Board fee of $260,000 and an invitation to participate in the NED Equity Plan with a value of $40,000. Total remuneration is inclusive of superannuation. This change recognised the substantial ongoing workload and accountabilities of the Chair. No other changes to NED remuneration were made in FY24.

The Table below sets out the FY23 and FY24 Board and Committee fee structure (all fees are inclusive of superannuation):

Table 16 — NED Fees

Role	Chair Fee[2]	Chair Equity[3]	Director/ Member Fee	Director/ Member Equity[3]
FY23 NED Fees[1] (Effective 1st July 2022)				
Main Board	$220,000	$40,000	$110,000	$20,000
Audit and Risk Committee	$20,000	–	$10,000	–
Remuneration, People and Culture Committee	$10,000	–	$10,000	–
Nominations Committee[4]	–	–	–	–
FY24 NED Fees[1] (Effective 1st July 2023)				
Main Board	$260,000	$40,000	$110,000	$20,000
Audit and Risk Committee	$20,000	–	$10,000	–
Remuneration, People and Culture Committee	$10,000	–	$10,000	–
Nominations Committee[4]	–	–	–	–

1. Fees are inclusive of superannuation.
2. The Board Chair does not receive fees for serving on Committees. The Board agreed to restore the Chair fee from 1 July 2023 to the level it was prior to the voluntary fee reduction that was implemented at the end of FY22.
3. With the exception of fees paid to Kevin Moss, a portion of NED Fees was delivered as restricted share rights under the NED Equity Plan approved by Shareholders at the 2023 AGM.
4. NEDs do not receive fees for serving on the Nominations Committee.

NEDs are entitled to be reimbursed for all reasonable business related expenses in addition to Board fees, as may be reasonably incurred in the discharge of their duties.

Aggregate Fee Pool

Non-Executive Director fees are determined within an aggregate fee pool limit. The current fee pool is $1,500,000 (inclusive of superannuation) and was approved by shareholders at the AGM held on 4 November 2021. The fee pool is designed to provide flexibility to the Board to accommodate changes in its size and composition.

Remuneration Report continued

6.2 NED Equity Plan

(a) Restricted Rights to NEDs for FY24

The Company established the NED Equity Plan to assist in the motivation, retention and reward of NEDs and to provide an opportunity for the NEDs to acquire shareholdings in the Company through the delivery of a portion of fees as equity. In line with ASX Listing Rule 10.14, the Company obtained shareholder approval at the 2023 AGM before implementing the NED Equity Plan.

In designing the NED Equity Plan, the Directors were conscious that NED remuneration should not conflict with their obligations to bring independent judgement to their roles. Consistent with Principle 8 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the grants of securities will better align the interests of the NEDs with the interests of shareholders. In accordance with these governance recommendations, the securities issued under the NED Equity Plan are not subject to performance-based vesting conditions or vesting conditions of any kind.

Key terms of the NED Equity Plan are outlined below:

Table 17 – FY24 NED Equity Plan – Key Terms

Purpose	The purpose of the Zip NED Equity Plan is to facilitate long–term holding of equity interests and assist NEDs in reaching the minimum shareholding requirement. Providing a portion of NED Fees in equity also creates "skin in the game" alignment between NEDs and shareholders.
Instrument	Each NED will be invited to apply for Restricted Rights under the Plan, with a nil exercise price. Restricted Rights have been selected so as not to compromise NED's independence.
Opportunity	The grant is calculated to deliver a value of $40,000 to the Chair and $20,000 to each NED annually as part of their Main Board Fee.
Allocation Method	Diane Smith-Gander AO, John Batistich and Meredith Scott were invited to apply for the number of Restricted Rights, calculated as follows: – Number of Restricted Rights = Dollar Value Participation ÷ Right Value; and – Where the Right Value is the 10-day volume–weighted average price (VWAP) following the release of FY23 financial results.
Term	Each Right has a Term ending 15 years after the grant date, and if not exercised before the end of the Term the Restricted Rights will lapse.
Vesting Conditions & Exercise Conditions	To ensure NED independence is not compromised, and to recognise that the instruments are an alternative to cash remuneration, the Rights are not subject to any vesting conditions. Rights may not be exercised within 90 days of the Grant Date.
Dealing & Disposal Restrictions	Rights may not be sold, transferred, mortgaged, charged or otherwise dealt with or encumbered, except by force of law. Shares acquired from the exercise of vested Rights may be subject to disposal restrictions due to: – the Company's Securities Trading Policy; – the insider trading provisions of the Corporations Act; – 12-month on-sale restrictions under the Corporations Act; and – specified Disposal Restrictions included in the Invitation. Zip will ensure that such restrictions are enforced via CHESS holding locks or alternatively by any trustee of an Employee Share Trust that may be engaged in connection with the Plan.
Corporate Actions	In the event of a change of control or delisting, Exercise Restrictions will cease on the date determined by the Board.

Remuneration Report continued

6.3 NED Shareholding Policy

NEDs are subject to the Minimum Shareholding Policy. For detail refer to the Governance and Risk Management Section of this report.

7. FY25 Remuneration Changes

In FY25, KMP Executive remuneration will continue to focus on the delivery of profitable growth and be weighted towards performance based pay. In summary:

- The Board intends to complete a review of Executive KMP remuneration to assess whether remuneration remains fair and competitive in the context of market benchmarks. This may lead to increases in quantum and changes to the mix of the remuneration paid to some Executive KMP; and
- STVR performance measures will continue to be weighted towards profitability and the Board intends to continue to deliver STVR awards as 50% cash and 50% as Zip shares deferred for one year.

Recognising the substantial turnaround that has been achieved, the ongoing significant workload of NEDs and market benchmarks, the Board has determined that it will restore the total remuneration paid to NEDs to the amounts that were paid before NEDs implemented a voluntary fee reduction in FY23 and adjust fees to reflect market benchmarks. Fees that will apply from 1 July 2024 are set out in the table below:

Table 18 – FY25 NED Fees (Effective 1 July 2024)[1]

Role	Chair Fee[2]	Chair Equity[3]	Director/ Member Fee	Director/ Member Equity[3]
Main Board	300,000	40,000	150,000	$20,000
Audit and Risk Committee	25,000	–	12,500	–
Remuneration, People and Culture Committee	20,000	–	10,000	–
Nominations Committee[4]	–	–	–	–

1. Fees are inclusive of superannuation, if applicable.
2. The Board Chair does not receive fees for serving on Committees.
3. A portion of NED Fees may be delivered as restricted share rights under the NED Equity Plan. The mix of cash and restricted share rights for FY25 is yet to be confirmed and the NED Equity Plan is subject to approval of shareholders at the 2024 AGM.
4. NEDs do not receive fees for serving on the Nominations Committee.

The increase in NED remuneration for FY25 follows a review against relevant market comparators. The Board intends to seek shareholder approval at the AGM to continue to offer the NED Equity Plan for the next three years with some amendments to provide flexibility as to the mix of cash and restricted share rights that each NED receives with respect to their Main Board fee.

8. Statutory Disclosures

8.1 Remuneration Tables

Details of the remuneration of KMP of the consolidated entity are set out in the following table which has been prepared in accordance with the accounting standards.

Remuneration Report continued

Table 19 – Statutory Remuneration Table

FY24 and FY23 ($)	Year	Total Fixed Remuneration: Salary and Fees[1]	NED Equity	Superannuation[2]	Annual and Long Service Leave[3]	Long Term Equity[4]	Other Benefits: Other[5, 6]	At Risk Remuneration: Short Term Variable Reward	Other Short Term Awards[7]	Long Term Variable Reward[8]	Total
Non-Executive Directors:											
Diane Smith-Gander AO	FY24	234,234	40,000	25,766	–	–	–	–	–	–	300,000
	FY23	199,095	40,000	20,905	–	–	–	–	–	–	260,000
Meredith Scott	FY24	126,126	20,000	13,874	–	–	–	–	–	–	160,000
	FY23	105,581	16,667	11,086	–	–	–	–	–	–	133,334
John Batistich	FY24	117,117	20,000	12,883	–	–	–	–	–	–	150,000
	FY23	117,647	20,000	12,353	–	–	–	–	–	–	150,000
Kevin Moss	FY24	17,391	–	–	–	–	–	–	–	–	17,391
(part year FY24)	FY23	–	–	–	–	–	–	–	–	–	–
Executive Directors:											
Cynthia Scott[9]	FY24	632,826	–	20,691	9,177	157,905	25,937	618,334	–	259,143	1,724,013
(part year FY24)	FY23	–	–	–	–	–	–	–	–	–	–
Larry Diamond	FY24	508,201	–	27,399	(24,616)	181,283	1,281,222	477,708	150,000	183,799	2,784,996
	FY23	510,308	–	25,292	50,835	70,671	548,812	–	–	177,752	1,383,670
Executive Managers:											
Gordon Bell[9]	FY24	367,500	–	20,549	22,609	–	21,832	356,720	150,000	31,900	971,110
(part year FY24)	FY23	–	–	–	–	–	–	–	–	–	–
Peter Gray	FY24	487,601	–	27,399	(7,727)	173,972	28,417	477,360	–	176,741	1,363,763
	FY23	489,708	–	25,292	41,220	67,830	–	–	–	172,876	796,926
Martin Brooke[10]	FY24	112,500	–	6,850	8,929	121,669	122,124	–	–	63,192	435,264
(part year FY24)	FY23	435,295	–	25,292	18,889	55,398	–	29,812	–	111,975	676,661
Total FY24		**2,603,496**	**80,000**	**155,411**	**8,372**	**634,829**	**1,479,532**	**1,930,122**	**300,000**	**714,775**	**7,906,537**
Total FY23		**1,857,634**	**76,667**	**120,220**	**110,944**	**193,899**	**548,812**	**29,812**	**0**	**462,603**	**3,400,591**

1. For Executive KMP included is salary sacrifice for car parking. Larry Diamond's car parking salary sacrifice (FY24 Nil and FY23 $3,169) ceased on 31 August 2022. For Peter Gray (FY24 Nil and FY23 $7,922) and Martin Brooke (FY24 Nil and FY23 $7,922), salary sacrifice car parking ceased on 30 November 2022.
2. In FY24 all NED's received a nominal backpay of Superannuation relating to FY23, the increase in the Superannuation rate at the time of processing resulted in a 0.5% additional Superannuation payment (Diane Smith-Gander: $22, John Batistich: $65, & Meredith Scott: $50).
3. Annual leave and long service leave represents the movement in the associated provisions during the year.
4. Long-Term Equity is expensed over the vesting period. The value disclosed is the portion recognised as an expense in FY24.
5. FY23 other benefits was understated and should have included car parking benefits provided by Zip as follows: $145 for Larry Diamond, $2,963 for Peter Gray and $2,963 for Martin Brooke.
6. Other benefits include relocation assistance of $1,281,222 for Larry Diamond (which covered items such as housing, healthcare, travel, schooling, cost of living allowance, and tax equalisation and compliance), further detail is provided on page 20 of this report. For Martin Brooke, Other benefits include car parking and a termination payment. Not included in the above table is the payment of $105,937 to Martin Brooke for untaken annual and long service leave accrued in prior periods and during his time as employee from 30 September to 31 January.
7. Other Short-Term Awards includes an additional one-off incentive that was linked to Larry Diamond's US Assignment and a discretionary bonus that was paid to Gordon Bell.
8. The value of LTVR Performance Rights is calculated at the date of grant using a Monte Carlo simulation pricing model and is expensed over the vesting period. The value disclosed is the portion recognised as an expense in FY24.
9. Total Remuneration disclosures in this table are reflective of time spent in the role of KMP only (amounts disclosed have been apportioned accordingly for Cynthia Scott and Gordan Bell).
10. Martin Brooke's FY24 salary and Superannuation per the table above relate to his role as CFO (from 1 July 2023 to 29 September 2023). Mr Brooke continued to be employed by Zip for the period 30 September 2023 to 31 January 2024 for which he received a salary of $150,000 plus $10,975 of Superannuation.

Remuneration Report continued

8.2 KMP Equity Interests and Changes

a. Issue of Shares

Other than set out in this report, there were no shares issued to Directors and other KMP as part of compensation during the financial year ended 30 June 2024.

b. Performance Rights Holding

The number of Performance Rights in the Company held during the financial year by each Director and other members of KMP of the consolidated entity, including their personally related parties, affecting remuneration of Directors and other KMP in the current or future financial years is set out below:

Table 20 – Fixed Long-Term Equity

Long-Term Equity	Balance at the Start of the Year	Granted	Conversion to Ordinary Shares	Balance at the End of the Year
Cynthia Scott[1]	466,860	–	(119,244)	347,616
Gordon Bell[2]	–	–	–	–
Larry Diamond	473,290	–	(126,363)	346,927
Peter Gray	454,196	–	(121,266)	332,930
Martin Brooke[3]	411,586	–	–	–
Total	**1,805,932**	**–**	**(366,873)**	**1,027,473**

Issue Date	Vesting Date	Expiry Date	Number of Rights Issued	$ Fair Value at Grant Date
8 March 2021	8 March 2024[4]	8 March 2027	13,767	8.92
8 March 2021	8 March 2025	8 March 2027	13,765	8.92
6 December 2021	6 December 2023[4]	6 December 2027	10,117	4.18
6 December 2021	6 December 2024	6 December 2027	10,118	4.18
6 December 2021	6 December 2025	6 December 2027	10,118	4.18
8 March 2022	8 March 2024[4]	8 March 2028	61,099	0.93
8 March 2022	8 March 2025	8 March 2028	61,100	0.93
8 March 2022	8 March 2026	8 March 2028	61,100	0.93
8 March 2023	8 March 2024[4]	8 March 2029	391,188	0.52
8 March 2023	8 March 2025	8 March 2029	391,187	0.52
8 March 2023	8 March 2026	8 March 2029	391,187	0.52
8 March 2023	8 March 2027	8 March 2029	391,186	0.52
Total			**1,805,932**	

1. Cynthia Scott's opening balance is as at 10 August 2023 when she commenced as a KMP.
2. Gordon Bell has not received any grants under the Long-Term Equity Plan.
3. Martin Brooke ceased as a KMP on 29 September 2023. His closing balance as at this date was 411,586.
4. Rights vested and converted to ordinary shares during FY24.

Remuneration Report continued

Table 21 – Long-Term Variable Reward

	Balance at the Start of the Year	Granted	Conversion to Ordinary Shares	Lapsed	Balance at the End of the Year
Cynthia Scott[1]	994,183	2,568,741	–	–	3,562,924
Gordon Bell[2]	–	590,931	–	–	590,931
Larry Diamond	943,830	612,880	–	(406,667)	1,150,043
Peter Gray	930,369	588,037	–	(406,667)	1,111,739
Martin Brooke[3]	562,755	–	–	–	–
Total	**3,431,137**	**4,360,589**	**–**	**(813,334)**	**6,415,637**

Issue Date	Vesting Date	Expiry Date	Number of Rights Issued	$ Fair Value at Grant Date
15 February 2019	15 February 2022	15 February 2025	406,666	0.29
30 November 2021	15 September 2024	30 November 2027	206,764	2.99
13 March 2023	15 September 2025	13 March 2029	1,441,618	0.27
15 September 2023[4]	15 September 2026	15 September 2029	3,769,658	0.26
15 September 2023	15 September 2026	15 September 2029	590,931	0.20
Total			**6,415,637**	

1. Cynthia Scott's opening balance is as at 10 August 2023 when she commenced as a KMP.
2. Gordon Bell's opening balance is as at 2 October 2023 when he commenced as a KMP.
3. Martin Brooke ceased as a KMP on 29 September 2023. His closing balance as at this date was 562,755.
4. LTVR granted to the Group CEO and Managing Director, US CEO and ANZ CEO.

c. NED Equity Plan Restricted Rights Holding

Table 22 – NED Equity Plan

Ned Equity Plan Restricted Rights	Balance at the Start of the Year	Granted	Conversion to Ordinary Shares	Balance at the End of the Year
Diane Smith-Gander AO	45,766	125,589	–	171,355
Meredith Scott	19,070	62,794	–	81,864
John Batistich	22,883	62,794	–	85,677
Kevin Moss[1]	–	–	–	–
Total	**87,719**	**251,177**	**–**	**338,896**

1. Kevin Moss was appointed to the Board on 21 May 2024 and did not participate in the NED Equity Plan.

Remuneration Report continued

d. Options Holding

No options were granted during FY24 and none of the KMP currently hold options for shares in Zip.

e. Shareholding

Table 23 – KMP Shareholding

Ordinary Shares	Balance at the Start of the Year	Conversion from Performance Shares	Net Additions/ (Disposals)	Balance at the End of the Year
Diane Smith-Gander AO	40,896	–	137,426	178,322
Cynthia Scott[2]	15,419	268,004	–	283,423
Gordon Bell[3]	200,000	–	200,000	400,000
Larry Diamond	55,192,619	126,363	–	55,318,982
Meredith Scott	15,825	–	35,607	51,432
John Batistich	381,208	–	–	381,208
Kevin Moss[1]	–	–	–	–
Peter Gray	18,142,616	121,266	360,000	18,623,882
Martin Brooke[4]	269,745	66,992	–	–

1. Kevin Moss's opening balance is as at 21 May 2024 when he commenced as a KMP.
2. Cynthia Scott's opening balance is as at 10 August 2023 when she commenced as a KMP.
3. Gordon Bell's opening balance is as at 2 October 2023 when he commenced as a KMP.
4. Martin Brooke ceased as a KMP on 29 September 2023. His closing balance as at this date was 336,737.

8.3 Other Statutory Disclosures

a. Securities Trading Policy

The Zip Securities Trading Policy is featured in Zip's Corporate Governance Statement which can be found on our website.

b. Other Transactions to KMP and their Related Parties

During the financial year ended 30 June 2023, Peter Gray invested $1.0 million in Class C Notes in Variable Funding Note 2 (VFN2) in the Zip Master Trust. The investment was made as part of a public offer process, on the same commercial terms as offered to each of the Class C noteholders investing in VFN2 in the Zip Master Trust.

During the period, a capital re-payment of $1.0 million and interest payments of $0.2 million were made to Peter Gray for his investment in the Class C Notes in Variable Funding Note 2 (VFN2) in the Zip Master Trust. The capital and interest payments were made on the same terms as all Class C Note holders.

There were no loans to/from and no other transactions in the financial year ended 30 June 2024 and to the date of this report between the Company and:

- the Directors; and
- other members of KMP of the consolidated entity, including their personally related parties.

Remuneration Report continued

c. Use of Remuneration Consultants

The Committee may seek and consider advice from external and independent advisers from time to time to assist the Committee discharge its duties, including periodically testing the market competitiveness of the remuneration policy and framework by benchmarking against comparable companies.

During FY24 Non–Executive Directors had a number of discussions with the Godfrey Remuneration Group (GRG), however, no specific engagements were undertaken.

The Remuneration, People and Culture Committee has procedures in place to ensure that all engagements with independent external remuneration consultants, and recommendations (if any) or advice is free from undue influence. At times, remuneration consultants may be required to interact with management to obtain the relevant information needed to form any remuneration recommendations. In these instances, a Non-Executive Director will always have oversight of interactions between independent consultants and management.

The Board confirms that any remuneration advice received during FY24 was free from undue influence because these procedures were adhered to.

In addition, PricewaterhouseCoopers (PwC) provided assistance with Zip's equity plans, including legal and tax advice. PwC did not provide a remuneration recommendation as defined in the *Corporations Act 2001*.

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

This concludes the Remuneration Report, which has been audited.

Directors' Report continued

Indemnity and Insurance of Officers

The Company has indemnified the Directors and Executives of the Company for costs incurred, in their capacity as a Director or Executive, for which they may be held personally liable, except where there is a lack of good faith. During the financial year, the Company paid a premium in respect of a contract to insure the Directors and Executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and Insurance of Auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor. During the financial year, the Group has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on Behalf of the Company

No person has applied to the Company under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-Audit Services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditors are outlined in Note 24 to the financial statements. During the period, Deloitte Touche Tohmatsu, the Company's auditor, has performed no other services in addition to their statutory duties. Total amount paid for non-audit services for the year amounted to nil (FY23: $29,000).

Officers of the Company who are Former Partners of Deloitte Touche Tohmatsu

There are no officers of the Company who are former partners of Deloitte Touche Tohmatsu.

Directors' Report continued

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.

Auditor

Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the *Corporations Act 2001*.

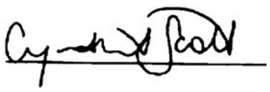
Post Balance Date Events

On 17 July 2024, Zip announced a plan to raise up to $267.0 million to fund an early repayment of its corporate debt facility and its associated exit fee. The raise included a fully underwritten share placement of $217.0 million before costs, plus a non-underwritten share purchase plan (SPP) seeking an additional $50.0 million. The Company raised $217.0 million on 22 July 2024 and fully repaid its corporate debt facility and associated exit fee on 22 July 2024. On 19 August 2024 the Company raised $50.0 million via the SPP.

Apart from as otherwise disclosed in this report there were no further material items, transactions or events subsequent to 30 June 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 Chief Executive Officer and Managing Director

27 August 2024

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Quay Quarter Tower
50 Bridge Street
Sydney NSW 2000
Australia

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www.deloitte.com.au

27 August 2024

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

Dear Directors,

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 Board of Directors of Zip Co Limited.

As lead audit partner for the audit of the financial report of Zip Co Limited for the year ended 30 June 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 audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jason Thorne
Partner
Chartered Accountants

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the period ended 30 June 2024

	Note	Consolidated 30 June 2024 $'000	Consolidated 30 June 2023* $'000
Continuing operations			
Portfolio interest income		717,232	558,020
Transactional income		150,746	119,189
Revenue		867,978	677,209
Other income		7,092	4,479
Bad debts and expected credit losses	10	(164,392)	(158,144)
Bank fees and data costs		(128,941)	(121,300)
Interest expense	3	(227,131)	(159,867)
Salaries and employee benefits expenses		(160,976)	(167,449)
Marketing expenses		(38,221)	(41,362)
Information technology expenses		(41,087)	(44,134)
Depreciation and amortisation expenses	3	(64,419)	(62,799)
Share-based payments		(6,620)	(14,250)
Corporate financing costs	3	(44,178)	(109,411)
Other operating expenses	3	(38,643)	(88,908)
Impairment loss	3	–	(14,490)
Share of loss of associates	4	(2,248)	(4,740)
Fair value loss on financial instruments	3	(15,020)	(61,109)
Net other gains	3	81,910	–
Profit/(loss) before income tax from continuing operations		**25,104**	**(366,275)**
Income tax(expense)/benefit from continuing operations	6	(19,446)	36,413
Profit/(loss) after income tax from continuing operations		5,658	(329,862)
Loss after income tax from discontinued operations	18	(2,001)	(47,153)
Profit/(loss) after income tax for the period attributable to the Members of Zip Co Limited		**3,657**	**(377,015)**
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss			
Foreign exchange differences on translation		(4,106)	12,912
Other comprehensive (loss)/income for the period, net of tax		(4,106)	12,912
Total comprehensive loss for the period attributable to the Members of Zip Co Limited		**(449)**	**(364,103)**
		Cents	**Cents**
Earnings per share from continuing operations attributable to the Members of Zip Co Limited			
Basic earnings/(loss) per share	7	0.58	(45.79)
Diluted earnings/(loss) per share	7	0.57	(45.79)
Earnings per share from continuing and discontinued operations attributable to the Members of Zip Co Limited			
Basic earnings/(loss) per share	7	0.38	(52.33)
Diluted earnings/(loss) per share	7	0.37	(52.33)

* Comparative information has been restated due to discontinued operations, please refer to Note 18.

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

Consolidated Statement of Financial Position

As at 30 June 2024

		Consolidated	
	Note	30 June 2024 $'000	30 June 2023 $'000
Assets			
Cash and cash equivalents	8	121,346	151,955
Restricted cash	8	231,660	123,955
Other receivables	9	100,825	87,160
Term deposit		4,510	7,196
Customer receivables	10	2,398,592	2,596,832
Investments at FVTPL	11	–	13,846
Investments in associates	4	–	2,248
Property, plant and equipment		2,857	5,092
Right-of-use assets		16,907	18,641
Intangible assets	12	96,087	141,638
Goodwill	13	209,476	209,235
Deferred tax assets	6	–	36,969
Total assets		**3,182,260**	**3,394,767**
Liabilities			
Trade and other payables	14	258,465	213,637
Employee provisions		18,539	8,808
Deferred contingent consideration	15	–	1,889
Lease liabilities		17,094	17,717
Borrowings	16	2,403,140	2,591,208
Financial liabilities – convertible notes and warrants	5	–	327,168
Other financial liabilities	20	86,489	–
Total liabilities		**2,783,727**	**3,160,427**
Net assets		**398,533**	**234,340**
Equity			
Issued capital	17	2,339,769	2,121,541
Reserves		155,296	158,551
Convertible notes – equity	5	163,848	114,466
Accumulated losses		(2,260,380)	(2,160,218)
Total equity		**398,533**	**234,340**

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

Consolidated Statement of Changes in Equity

For the period ended 30 June 2024

Consolidated	Issued capital '000	Treasury shares $'000	Share-based payments reserve $'000	Foreign currency translation reserve $'000	Convertible notes $'000	Accumulated losses $'000	Non-controlling interest $'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)/benefit for the period	–	–	–	–	–	3,657	–	3,657
Other comprehensive (loss)/income for the period, net of tax	–	–	–	(4,106)	–	–	–	(4,106)
Total comprehensive (loss)/income for the period	**–**	**–**	**–**	**(4,106)**	**–**	**3,657**	**–**	**(449)**
Recognition of share-based payments	–	–	6,620	–	–	–	–	6,620
Issue of treasury shares to Zip Employee Share Trust	3,936	(3,936)	–	–	–	–	–	–
Issue of treasury shares to Zip Employees	–	5,149	(5,149)	–	–	–	–	–
Exercise of options	52	–	(1,833)	–	–	–	–	(1,781)
Issue of shares – CVI convertible Notes conversion	13,338	–	–	–	–	26,997	–	40,335
Issue of shares – Senior convertible notes conversion	200,963	–	–	–	–	(130,816)	–	70,147
Cost of issuing of shares	(61)	–	–	–	–	–	–	(61)
Derecognition of pre-existing and recognition of new convertible notes	–	–	–	–	49,382	–	–	49,382
Balance at 30 June 2024	**2,339,769**	**(33)**	**76,268**	**79,061**	**163,848**	**(2,260,380)**	**–**	**398,533**

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

Consolidated Statement of Changes in Equity

For the period ended 30 June 2024

Consolidated	Issued capital $'000	Treasury shares $'000	Share-based payments reserve $'000	Foreign currency translation reserve $'000	Convertible notes $'000	Accumulated losses $'000	Non-controlling interest $'000	Total Equity $'000
Balance at 1 July 2022	2,041,496	(3,345)	85,475	70,255	114,466	(1,871,613)	1,015	437,749
Loss after income tax benefit for the period	–	–	–	–	–	(377,015)	–	(377,015)
Other Comprehensive Income for the period, net of tax	–	–	–	12,912	–	–	–	12,912
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**12,912**	**–**	**(377,015)**	**–**	**(364,103)**
Recognition of share-based payments	–	–	11,038	–	–	–	–	11,038
Issue of shares – Payflex contingent consideration (refer to Note 15)	838	–	–	–	–	–	–	838
Issue of shares from Zip Employee Share Trust	8,538	(8,538)	–	–	–	–	–	–
Issue of treasury shares to Zip Employees	–	10,637	(10,637)	–	–	–	–	–
Issue of ordinary shares under share-based payment plans	9,173	–	(9,173)	–	–	–	–	–
Exercise of options	73	–	(73)	–	–	–	–	–
Issue of shares – capital raising	38,279	–	–	–	–	–	–	38,279
Issue of shares – Twisto holdback considerations	19,965	–	–	–	–	–	–	19,965
Cost of issuing of shares	(1,774)	–	–	–	–	–	–	(1,774)
Issue of shares – Senior convertible notes conversion	4,953	–	–	–	–	88,410	–	93,363
Derecognition of NCI	–	–	–	–	–	–	(1,015)	(1,015)
Balance at 30 June 2023	**2,121,541**	**(1,246)**	**76,630**	**83,167**	**114,466**	**(2,160,218)**	**–**	**234,340**

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

Consolidated Statement of Cash Flows

For the period ended 30 June 2024

	Note	Consolidated 30 June 2024 $'000	Consolidated 30 June 2023 $'000
Cash flows from/(used in) operating activities			
Revenue from customers		871,763	728,818
Payments to suppliers and employees		(363,003)	(438,547)
Net increase in receivables		(6,597)	(338,260)
Borrowing transaction costs		(6,606)	(2,764)
Interest received from financial institutions		6,219	3,595
Interest paid		(229,428)	(161,529)
Income tax paid		(3,008)	–
Proceeds from disposal of loans		3,197	–
Termination payment fee		–	(16,340)
Net cash flow from/(used in) operating activities		**272,537**	**(225,027)**
Cash flows from/(used in) investing activities			
Payments for plant and equipment		(1,015)	(3,149)
Payments for software development		(16,467)	(21,419)
Disposal of discontinued operations, net of cash disposed of[1]	18	27,264	5,788
Deferred consideration		(2,028)	(4,047)
Proceeds from sale of/(Purchase of) investments in associates	4	3,132	(4,324)
Payments for investments at FVTPL	11	(1,544)	–
Decrease/(Increase) in term deposits		2,686	(3,331)
Net cash flow from/(used in) investing activities		**12,028**	**(30,482)**
Cash flows (used in)/from financing activities			
Proceeds from borrowings		1,589,237	757,849
Repayment of borrowings		(1,741,239)	(487,573)
Repayment of convertible notes		(10,752)	(53,764)
Payment for incentive in relation to the convertible notes conversion		(31,496)	(12,502)
Repayment of principal of lease liabilities		(3,045)	(3,997)
Proceeds from issue of shares		52	38,352
Cost of share issues		(61)	(1,774)
Transaction costs related to issues of equity securities or convertible debt securities		(3,632)	–
Transaction costs related to loans and borrowings		(7,398)	–
Net cash flow (used in)/from financing activities		**(208,334)**	**236,591**
Net increase/(decrease) in cash and cash equivalents		76,231	(18,918)
Cash, cash equivalents, restricted cash at the beginning of the period		275,910	299,695
Foreign exchange effect		865	(4,867)
Cash, cash equivalents, restricted cash at the end of the period	8	**353,006**	**275,910**

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; amounts related to discontinued operations by operating, investing and financing activities are disclosed in Note 18.

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

Notes to the Consolidated Financial Statements

30 June 2024

Note 1. Material Accounting Policies

A. Business

Zip is a leading participant 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, the United States and Canada.

Zip's ordinary shares have been listed on the ASX (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 full-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations, and complies with other requirements of the law.

Compliance with Australian Accounting Standards ensures that the financial statements and notes of the consolidated entity comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Consequently, this financial report has been prepared in accordance with and complies with IFRS as issued by the IASB.

The consolidated entity is a for-profit entity and the financial statements comprise the consolidated financial statements of the consolidated entity.

The financial statements were approved by the Board of Directors and authorised for issue on 27 August 2024.

C. Basis of Preparation

The Report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and 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 2023 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 reclassified as discontinued operations are excluded from the results of the continuing operations and are presented as a single line item 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. The comparative periods are also restated. As disclosed in the consolidated entity's Annual Report 2023, Zip ceased operations including Singapore, the United Kingdom, Mexico through companies such as Spotii, Twisto and Payflex during the financial year ended 30 June 2023. Refer to Note 18 for details. According to AASB 5, the statement of financial position is not restated when a business is reclassified as a discontinued operation.

Notes to the Consolidated Financial Statements continued

D. Going Concern

The Directors have prepared the 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 have identified four areas that may impact the Group's ability to continue as a going concern:

(i) Maturing significant financing facilities being successfully refinanced and that being dependent upon successful sourcing of funds and negotiation of terms;

(ii) Continued delivery of improved operating results;

(iii) Continued economic buoyancy in the primary source of Zip's revenue, being the consumer products retail sector; and

(iv) No significant adverse changes to the Group's operating model due to regulatory changes imposed on the Buy Now Pay Later (BNPL) sector.

The Directors have considered these four areas relevant for the going concern assessment of the FY24 Financial Report and judged that the going concern basis of accounting remains appropriate. Taken together, the Directors have concluded that the Group's improved financial position and performance and various identified mitigating actions sufficiently moderate the uncertainties arising from these four areas.

The FY24 Financial Report does not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

FY24 Improved financial position and performance of the Group

In the financial year, the consolidated Group's balance sheet has continued to strengthen and financial performance has continued to improve. Evidence includes:

- Normalised Group Cash EBTDA improved from a loss of $48.2 million for FY23 to a profit of $69.0 million in FY24;
- Net cash inflows from operations has improved from an outflow of $225.0 million in FY23 to an inflow of $272.6 million in FY24;
- Total cash has increased by 28% from 30 June 2023 to $353.0 million. This is also a 16% increase from $303.8 million at 31 December 2023 (see Note 8);
- All Senior Convertible Notes converted through the period as a result of the share price trading above the strike price (as amended per the consent solicitation). (See Note 5 for detail);
- The Group paid down $20.0 million of the corporate debt facility, reducing the principal outstanding from $150.0 million at 31 December 2023 to $130.0 million at 30 June 2024 (see Note 16); and
- In July 2024 the Group received extremely strong support in successfully raising $217.0 million in an institutional equity placement (see Note 28). The proceeds were used to fully repay the corporate debt facility, including the associated exit fee. Excluding receivables financing, the Group no longer holds any corporate level debt.

Notes to the Consolidated Financial Statements continued

Maturing of financing facilities

The Group's business model is to borrow funds through secured consumer borrowing facilities to fund the consolidated Group's receivables portfolio.

The renewal or refinance of maturing secured consumer borrowing facilities is dependent on successful sourcing of funds and negotiation of terms. If these facilities are not renewed or refinanced, they will not require immediate repayment and will otherwise commence amortisation.

The Group has proactively engaged with both new and existing lenders to strengthen relationships, diversify the debt and optimise timing and pricing, and has obtained strong interest from potential lenders for new receivables funding.

As in previous financial years, in FY24 the Group has continued to demonstrate its ability to obtain funding in the capital markets. During the year and since year end, the Group has refinanced and/or raised $2.4 billion of funding at comparable or improved rates.

At 30 June 2024, the Group had $1.3 billion of secured consumer borrowing facilities that are due to mature in the period 1 July 2024 to 31 August 2025.

Subsequent to 30 June 2024, the Group successfully extended the 2017-1 trust facility for two years with existing senior financiers and a new mezzanine investor. The revised facility limit increased from $116.6 million to $155.5 million.

Refinancing of $0.7 billion of the upcoming maturities to 30 September 2024 are at advanced stages of execution. The Directors expect that maturing borrowing facilities will be renewed with existing or new financiers at appropriate terms.

Continued delivery of improved operating results

Zip has executed its strategy of focusing on core markets in Australia, New Zealand and the Americas, and has reset its global cost base.

The Directors have considered the Group's forecasts for FY25 and FY26. The Group's forecast Total Transaction Volume (TTV), Cash EBTDA, cash flow, revenue yields, and cash operating expenditure as percentage of TTV, all indicate continued delivery of positive operating results.

Continued economic buoyancy in the primary source of Zip's revenue

Continued economic buoyancy in the primary source of Zip's revenue, being the consumer products retail sector, influences the Group's cash flow and profitability. The primary markets that the Group operates in are Australia and the USA:

- **Australia**: Whilst consumer sentiment remains weak, the Australian business has delivered improved profitability and positive cash flows in FY24. The Australian economy is forecast to have positive GDP growth in FY25 and FY26.
- **USA**: USA consumer confidence has improved over FY24 as inflation began to moderate and consumers have increased confidence around business conditions, labour market and improved personal income prospects. The BNPL sector currently has a low share of the consumer credit and payment transaction markets in the USA and as a result has grown at a strong pace compared to the US economy. This is expected to continue in future years.

The Group has been and will continue to execute on strategies to build capacity and resilience that capitalise on the opportunities presented and mitigate the effects of negative economic trends on its customer base. These include:

- credit management actions that reduce arrears and credit losses;
- launching new, or varying existing products to increase yields earned and improved customer experience;
- strategies to grow TTV, improve customer engagement, lift transactions per Monthly Transacting User (MTU) and incentivise customers to adopt higher margin channels such as app and in-store transactions; and
- increasing merchant activity to further strengthen its revenue base.

Notes to the Consolidated Financial Statements continued

Adverse impact of changes to regulation

As a participant in the finance industry in multiple countries, a natural operating risk of the Group is responding to changes in regulation in the markets in which it operates. In each jurisdiction the Group operates, the tendency to regulate consumer finance products is increasing.

The Group proactively works with regulators to address their queries and actively tracks, monitors, and participates, where applicable, in any such BNPL inquiries and proposed regulatory changes.

The Group is increasing its direct engagement with regulators and lawmakers to discuss the consumer benefits of BNPL. The Group also challenges its product design and operating model, and responds early when appropriate to do so to ensure the long term competitiveness and viability of the business model and products.

In March 2024, the Australian Federal Government released exposure draft legislation for the BNPL industry. The model chosen was in line with Zip's expectations, Zip has welcomed the changes, and the proposed models will not materially affect the Australian business.

In May 2024, the United States Consumer Finance Protection Bureau ("CFPB") issued an "interpretive rule" effective as of 30 July 2024, that stated that BNPL lenders meet the regulatory definitions of "card issuers" who issue "credit cards" in the form of digital user accounts. Lenders therefore must provide consumers certain rights under the Truth in Lending Act (TILA) that apply to conventional credit cards including in relation to dispute procedures, return and refund processes and periodic billing statements. Zip's operations were fully compliant with this rule before the effective date. The CFPB is accepting public comment on this rule, and may subsequently modify it.

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 financial 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 financial year ended 30 June 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 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 *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.

Notes to the Consolidated Financial Statements continued

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 multiple forward-looking economic scenarios into the ECL estimates to meet the measurement objective of AASB 9.

The ECL recognised in the consolidated financial statements reflects the effect on expected credit losses of a range of possible outcomes, calculated on a probability-weighted basis, based on a number of economic scenarios (including base, good and bad scenarios). These scenarios are representative of management's view of forecast economic conditions, sufficient to calculate an unbiased ECL. The weightings used are reviewed each reporting period to ensure these remain appropriate and as such are considered to represent significant accounting estimates. Judgement has been applied in the assessment of the macroeconomic overlay in the financial year ended 30 June 2024. Refer to Note 10 for further details.

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. Please refer to Note 12 and 13 for detailed assumptions and assessment of impairment for goodwill and intangible assets respectively.

The assessment of impairment of investments in associates is detailed in Note 4.

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. Refer to Note 5 for details.

Notes to the Consolidated Financial Statements continued

G. Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Zip Co Limited ('parent entity') as at 30 June 2024 and the results of all subsidiaries for the twelve 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 have 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.

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.

Notes to the Consolidated Financial Statements continued

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). Investments in equity instruments are classified as investments at FVTPL, unless the consolidated entity designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition. The consolidated entity did not have any financial assets measured at FVTOCI at 30 June 2024 and 30 June 2023.

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.

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, including those warrants issued which meet the definitions of a financial liability in accordance with the substance of the contractual arrangements, 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.

Classification of Debt and Equity Components

Convertible loan notes issued by the consolidated entity may be classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

A conversion option that will be settled by the exchange of a fixed amount of cash for a variable number of the Company's own equity instruments is considered a financial liability. The conversion features that fail the equity classification are accounted for as derivative financial liabilities, and are accounted for separately from their host debt component. Derivatives financial liabilities are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately.

A conversion option that will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments is considered an equity component. The conversion feature classified as equity is not required to be revalued at each reporting date.

Notes to the Consolidated Financial Statements continued

The option derivatives embedded in the convertible notes are assessed to determine whether it is to be separated from its debt host contract on the basis of the stated terms of the option feature. The debt component of convertible notes is subsequently measured at amortised cost as described above. The effective interest charged on the debt host contract is reported in corporate finance costs.

Transaction Costs

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components (if any) in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

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. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in an equity instrument which the consolidated entity has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

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. On conversion of a convertible instrument, the entity derecognises the liability component and recognises it as equity. The recognition of equity comprises a market value of the ordinary shares issued on the conversion, recorded as issued capital, and the remaining balance recorded in retained earnings being the difference between the derecognised liability component and the amount recorded in issued capital. The original equity component remains as equity. There is no gain or loss on conversion. Refer to Note 5 for details.

Notes to the Consolidated Financial Statements continued

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.

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 financial year ended 30 June 2024 and 30 June 2023.

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 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.

Notes to the Consolidated Financial Statements continued

M. Earnings 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 year.

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 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 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.

For the purpose of presenting 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 consolidated statement of profit or loss and other comprehensive income.

Notes to the Consolidated Financial Statements continued

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 four operating segments being ANZ, Americas, Zip Business and Corporate in the year ended 30 June 2024, with Zip Business discontinued in the period ending 30 June 2024 and five in the full year ended 30 June 2023, with EMEA discontinued in the financial year ending 30 June 2023. 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 BNPL instalment or line of credit products[1, 2] to consumers in Australia and New Zealand.
AMERICAS	Offers BNPL instalment products[1] to customers in the US and Canada.
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 happen 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 consolidated statement of profit or loss and other comprehensive income of the affected segments including current and prior reporting periods.

Notes to the Consolidated Financial Statements continued

Financial Year Ended 30 June 2024	ANZ $'000	Americas $'000	Corporate $'000	Total $'000
Revenue	417,421	450,557	–	867,978
Cost of sales[1]	(277,433)	(220,828)	–	(498,261)
Gross profit	139,988	229,729	–	369,717
Other income	5,649	763	680	7,092
Operating expenses	(114,443)	(161,860)	(26,874)	(303,177)
Effective interest on convertible notes	–	–	(9,586)	(9,586)
Segment EBTDA (excluding reconciling items)	31,194	68,632	(35,780)	64,046
Depreciation of right-of-use assets	(3,980)	(188)	–	(4,168)
Depreciation of PP&E	(1,448)	(572)	–	(2,020)
Amortisation of intangibles	(9,914)	(48,318)	–	(58,232)
Segment profit (loss) before income tax	15,852	19,554	(35,780)	(374)
Reconciling corporate items from operating to statutory profit:				
Share-based payments				(6,620)
Incentive payments				(31,496)
Share of loss of associates				(2,248)
Fair value loss				(15,020)
Other gains				578
Gain on extinguishment of pre-existing Senior Convertible Notes				139,689
Unrealised loss of financial liability				(61,489)
Loss on derecognition of financial liabilities				(1,048)
Gain on sale in an associate				3,132
Profit before income tax expense for continuing operations				**25,104**
Loss before income tax for discontinued operations				(2,267)
Profit before income tax from continuing and discontinued operations				**22,837**

1. Cost of sales comprises interest expense related to customer receivables, bad debts and expected credit losses, and bank fees and data costs which are presented in the Consolidated Statement of Profit or Loss.

Notes to the Consolidated Financial Statements continued

Financial Year Ended 30 June 2023	ANZ $'000	Americas $'000	Corporate $'000	Total* $'000
Revenue	367,801	309,408	–	677,209
Cost of sales[1]	(251,604)	(182,760)	–	(434,364)
Gross profit	116,197	126,648	–	242,845
Other income	3,843	297	339	4,479
Operating expenses	(111,638)	(158,579)	(49,647)	(319,864)
Effective interest on convertible notes	–	–	(78,079)	(78,079)
Segment EBTDA (excluding reconciling items)	8,402	(31,634)	(127,387)	(150,619)
Depreciation of right-of-use assets	(2,792)	–	–	(2,792)
Depreciation of PP&E	(1,853)	(539)	–	(2,392)
Amortisation of intangibles	(11,096)	(46,519)	–	(57,615)
Segment profit (loss) before income tax	(7,339)	(78,692)	(127,387)	(213,418)
Reconciling corporate items from operating to statutory loss:				
Share-based payments				(14,250)
Termination payment fee				(16,340)
Incentive payments				(29,856)
Share of loss of associates				(4,740)
Fair value loss on financial instruments				(61,109)
Impairment losses				(14,490)
Loss on derecognition of financial assets				(3,069)
Loss on derecognition of financial liabilities				(7,037)
Professional services fees paid for the conversion and restructuring of the Senior Convertible Notes				(1,966)
Loss before income tax expense for continuing operations				**(366,275)**
Loss before income tax for discontinued operations				(47,340)
Loss before income tax from continuing and discontinued operations				**(413,615)**

1. Cost of sales comprises interest expense related to customer receivables, bad debts and expected credit losses, and bank fees and data costs which are presented in the Consolidated Statement of Profit or Loss.

* Comparative information has been restated due to discontinued operations, please refer to Note 18.

Notes to the Consolidated Financial Statements continued

Note 3. Expenditure

	Consolidated 30 June 2024 $'000	Consolidated 30 June 2023* $'000
Profit/Loss before income tax from continuing operations includes the following specific expenses:		
Interest expense:		
Interest expense related to customer receivables	204,928	154,919
Interest expense related to operations	22,203	4,948
Total interest expenses	227,131	159,867
Depreciation and amortisation expenses:		
Depreciation of property, plant and equipment	2,020	2,392
Depreciation of right-of-use assets	4,167	2,792
Amortisation of acquired intangibles	38,617	39,818
Amortisation of internally generated IT development and software	19,615	17,797
Total depreciation and amortisation expenses	64,419	62,799
Corporate financing costs:		
Effective interest on convertible notes (normal course)	9,586	29,058
Effective interest on convertible notes (accelerated)	–	49,021
Interest on leasing liabilities	976	65
Incentive payments for Senior Convertible Notes	31,496	29,856
Other finance costs	2,120	1,411
Total corporate financing costs	44,178	109,411
Other operating expenses:		
Occupancy expense	2,219	4,214
Termination payment fee	–	16,340
Loss on derecognition of financial assets	–	3,069
Loss on derecognition of financial liabilities	1,048	7,037
Professional service fees	24,098	25,182
Other operating expenses	11,278	33,066
Total other operating expenses	38,643	88,908
Impairment (reversal)/losses:		
Impairment of goodwill (Note 13)	–	2,112
Impairment of intangibles (Note 12)	–	7,723
Impairment of investment in associates	–	4,655
Total impairment losses	–	14,490
Net other (gains)/losses:		
Gain on extinguish of pre-existing Senior Convertible Notes (Note 5)	(139,689)	–
Unrealised loss – financial liability (Note 20)	61,489	–
Gain on the sale of investment in associate (Note 4)	(3,132)	–
Other gains	(578)	–
Net other gain	(81,910)	–
Fair value (gain)/loss on financial instruments:		
Fair value (gain)/loss on embedded derivative and warrants (Note 5)	(370)	8,263
Fair value loss on investment at FVTPL (Note 11)	15,390	52,846
Fair value loss	15,020	61,109

* Comparative information has been restated due to discontinued operations, please refer to Note 18.

Notes to the Consolidated Financial Statements continued

Note 4. Investments in Associates

	Hemenal Finansman A.Ş. $'000
Balance at 30 June 2023	2,248
Share of loss of associates	(2,248)
Balance at 30 June 2024	–

The associates of the consolidated entity during the year ended 30 June 2024 are detailed in the following table. The associates listed below have share capital consisting solely of ordinary shares, which are held directly by the consolidated entity's controlled subsidiaries. The proportion of ownership interest is the same as the proportion of voting rights held.

The consolidated entity has accounted for investments in associates using the equity method.

			% of Ownership Interest	
Associates	Location of Incorporation of Holding Company	Location of Principal of Business	30 June 2024 %	30 June 2023 %
TendoPay	Singapore	Philippines	35.00%	35.00%
Hemenal Finansman A.Ş.	Turkey	Turkey	–	50.20%

TendoPay

At 30 June 2024, the consolidated entity held a 35% interest in TendoPay and the value of the investment in TendoPay was Nil.

Hemenal Finansman A.Ş.

During the period, a share of loss of $2.2 million was recorded which brought down the value of investment to Nil before Zip sold its investment in Hemenal Finansman A.Ş (Turkey). In December 2023, Zip completed the sale of its investment in Hemenal Finansman A.Ş (Turkey). A gain on sale of $3.1 million has been recorded, being the difference between the sale proceeds of $3.1 million (net of transaction costs) and the carrying amount of the investment of Nil.

Note 5. Financial Liabilities – Convertible Notes and Warrants

Reconciliation of Financial Impact of Issue of the Convertible Notes and Warrants

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Convertible notes issued on 1 September 2020		
– Debt host	–	46,932
– Embedded derivative	–	1,314
– Warrants	–	1,049
Senior Convertible notes issued on 23 April 2021		
– Debt host	–	277,873
– Equity component	163,848	114,466

Notes to the Consolidated Financial Statements continued

	Financial Liability Embedded Derivative $'000	Financial Liability Warrants $'000	Financial Liability Net Debt Host $'000	Total Financial Liabilities Convertible Notes and Warrants $'000	Convertible Notes Equity $'000
30 June 2022	**1,851**	**128**	**378,937**	**380,916**	**114,466**
Effective interest on convertible notes	–	–	78,079	78,079	–
Fair value loss recognised	7,342	921	–	8,263	–
Repayment of CVI Convertible Notes	(7,879)	–	(38,848)	(46,727)	–
Conversion of Senior Convertible Notes	–	–	(93,363)	(93,363)	–
30 June 2023	**1,314**	**1,049**	**324,805**	**327,168**	**114,466**
Effective interest on convertible notes	–	–	9,532	9,532	–
Fair value loss/(gain) recognised	679	(1,049)	–	(370)	–
Repayment of CVI Convertible Notes	(129)	–	(9,575)	(9,704)	–
Conversion of CVI Convertible Notes	(1,864)	–	(38,473)	(40,337)	–
Derecognition of Senior Convertible Notes	–	–	(279,648)	(279,648)	–
Recognition of new Senior Convertible Notes (net of transaction costs)	–	–	65,131	65,131	71,196
Deferred tax recognised directly in equity	–	–	–	–	(21,814)
Coupon payment for Senior Convertible Notes	–	–	(1,681)	(1,681)	–
Conversion of Senior Convertible Notes	–	–	(70,091)	(70,091)	–
30 June 2024	**–**	**–**	**–**	**–**	**163,848**

Convertible Notes and Warrants Issued on 1 September 2020

	Issue Date	Expiry Date	Conversion Price	Number Issued	Number Remaining
Convertible Notes	1 September 2020	1 September 2025	See in this note	1,000	0
Warrants	1 September 2020	1 September 2023	See in this note	19,365,208	0

On 1 September 2020, Zip issued 1,000 convertible notes (referred to as CVI Convertible Notes) and 19,365,208 warrants to CVI Investments, Inc. (CVI), an affiliate of Heights Capital Management, which is part of the US-based Susquehanna International Group.

On initial recognition, the CVI Convertible Notes included a debt component reported as a financial liability measured at amortised cost, and a conversion option considered an embedded derivative measured at FVTPL. The warrants issued to CVI are classified as financial liabilities measured at FVTPL.

Notes to the Consolidated Financial Statements continued

Debt Component and Embedded Derivative

The CVI Convertible Notes had a face value of $100,000 each. The convertible notes had a maturity of five years from issue and had interest payable semi-annually at a fixed amount of $0.75 million. The conversion price of the convertible notes varied based on movements in Zip's share price subject to a floor and a ceiling price. The initial conversion price was $5.5328, representing a 50% premium to the 1-day volume-weighted average price of Zip's shares on the Australian Securities Exchange (ASX) on 29 May 2020 (the last trading day prior to the announcement of the convertible note raising). The conversion price reset semi-annually to a price equal to 93% of the then prevailing current market price of Zip's shares on the ASX, subject to a minimum floor price of $1.8443 and a maximum price equal to the initial conversion price of $5.5328.

From 1 July 2023 to the incentivised conversion on 18 December 2023, the conversion price remained at $1.8443, due to Zip's share price being lower than the floor price.

At each Instalment date (commencing on the date falling six months after 1 September 2020 and every six months thereafter up to and including the maturity date on 1 September 2025), the noteholder had the option to elect, in respect of $10.0 million of the convertible notes, together with any previously deferred amounts and any accrued and unpaid interest, to either:

- Defer the conversion of the instalment amount to a later instalment date (up until the maturity date);
- Subject to certain conditions being met, to convert the instalment amount into Zip's shares; or
- Subject to certain conditions being met, to receive an amount of cash equal to the applicable instalment amount due on such date plus any accrued and unpaid interest as at the applicable instalment date.

Repayment of CVI Convertible Notes on 1 September 2023

Under the terms of the CVI Convertible Notes, a payment of $10.8 million was made on 1 September 2023, resulting in a cancellation of 100 CVI Convertible Notes. Following this repayment, 400 CVI Convertible Notes remained outstanding.

As a result of the repayment on 1 September 2023, Zip derecognised 20% of the remaining the embedded derivative options feature ($0.1 million) and the carrying amount of the debt host ($9.6 million). This derecognition resulted in a loss of $1.0 million, representing the difference between the carrying amount of the financial liabilities before extinguishment and the repayment amount of $10.8 million.

Incentivised Conversion of CVI Convertible Notes on 18 December 2023

On 18 December 2023, Zip undertook an incentivised conversion with CVI Investments to convert the existing $40.0 million of outstanding notes into 21,688,445 Zip ordinary shares, an issue date share price of $0.615. Given the conversion price was $1.8443, Zip made payment of $29.4 million to CVI Investments to induce early conversion of the CVI Convertible Notes. This resulted in the complete reduction of the outstanding face value and all other amounts owing under the CVI Convertible Notes to zero.

The incentive payment of $29.4 million offered by Zip to CVI Investments has been recorded as corporate financing costs in the period.

Upon the conversion of the remaining 400 CVI Convertible Notes, Zip derecognised the carrying amount of debt host of $38.5 million and the embedded derivative of $1.8 million. Simultaneously, Zip recognised issued capital of $13.3 million, allocating the remaining $27.0 million to retained earnings.

Notes to the Consolidated Financial Statements continued

Warrants

Warrants issued to CVI at the time of the CVI Convertible Note issue were issued for Nil cash consideration, featuring a three-year exercise period and a variable exercise price being the lower of $5.1639 and the price of any equity securities issued by Zip (excluding issues for prescribed business as usual and agreed strategic transactions).

The warrants issued to CVI expired on 1 September 2023 and were cancelled. A gain of $1.0 million on derecognition of the financial liability-warrants has been recorded for the year ended 30 June 2024.

Senior Convertible Notes Amended on 31 July 2023

	Modification Date	Expiry Date	Conversion Price	Number after Modification	Number Remaining
Senior Convertible Notes	31 July 2023	23 April 2028	$0.517	275,690	–

Zip issued $400.0 million zero coupon senior convertible notes (referred to as pre-existing Senior Convertible Notes) on 23 April 2021, which are listed on the Singapore Securities Trading Exchange (SGX-ST).

The pre-existing Senior Convertible Notes had a seven-year maturity with an option for investors to put the pre-existing Senior Convertible Notes back to Zip after four years at 109.36% of the principal amount. The yield of 2.25% per annum is calculated on a semi-annual basis. At maturity, noteholders had the option of converting the pre-existing Senior Convertible Notes into Zip's ordinary shares at a share price of $12.39 (adjusted in accordance with standard anti-dilutive provisions) or redeeming the notes at 116.96% of the principal amount. The conversion price was $12.0576 at 30 June 2023.

On initial recognition, the pre-existing Senior Convertible Notes contained two components, a debt contract and a separate conversion feature. The debt contract was classified as a financial liability measured at amortised cost and the conversion feature was classified as equity in accordance with AASB 132 *Financial Instruments: Presentation*. The investor put option was not separated and is accounted for as part of the debt host contract at amortised cost.

	Financial Liability Net Debt Host $'000	Convertible Notes Equity Component $'000
Balance at 30 June 2023	277,873	114,466
Effective Interest	8,416	–
Derecognition of pre-existing Senior Convertible Notes	(279,648)	–
Recognition of new Senior Convertible Notes (net of transaction costs)	65,131	71,196
Deferred tax recognised directly in equity	–	(21,814)
Coupon payment	(1,681)	–
Conversions	(70,091)	–
Balance at 30 June 2024	–	163,848

Notes to the Consolidated Financial Statements continued

Consent Solicitation

As announced to the ASX on 8 June 2023, Zip launched a liability management exercise on its $330,000,000 outstanding pre-existing Senior Convertible Notes. The exercise included an incentivised conversion of pre-existing Senior Convertible Notes into ordinary shares (Conversion Invitation) with the financial impacts reflected in the financial year ended 30 June 2023, and a consent solicitation to amend the terms and conditions of the pre-existing Senior Convertible Notes (Consent Solicitation).

On 31 July 2023, the Consent Solicitation was approved at an Extraordinary General Meeting (EGM) and subsequently settled, reducing the face value of the pre-existing Senior Convertible Notes from $330.0 million to $137.8 million, and adjusting the conversion price of the Amended Senior Convertible Notes (referred to as Senior Convertible Notes) to $0.5170 per Zip's share.

The Amended Senior Convertible Notes had a maturity to 23 April 2028, a coupon of 5% per annum and a yield of 10% per annum calculated on a semi-annual basis in arrears. Investors had options to put the Senior Convertible Notes back to Zip on 23 April 2025 to achieve a yield of 10% of the principal amount.

In accordance with AASB 9, a substantial modification of the terms of the pre-existing Senior Convertible Notes were accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The Amended Senior Convertible Notes consists of a debt contract classified as a financial liability measured at amortised cost and a separate conversion feature classified as equity in accordance with AASB 132. The investor put option was not separated and is accounted for as part of the debt host contract.

Transaction costs of $3.6 million had been apportioned to the debt and the equity components. The transaction costs that are attributed to the debt component, were included in the carrying amount of the financial liability and are amortised as part of effective interest. Transaction costs attributed to the equity component were accounted for as a deduction from equity component.

Consequently, Zip derecognised a debt host of $279.6 million the pre-existing Senior Convertible Notes. A debt host component of $65.1 million (net of transaction cost of $0.7 million, and with a discount rate of 23.9%) and an equity component in relation to the conversion option of $71.2 million (net of transaction cost of $0.8 million) were recognised. A deferred tax asset amount of $21.8 million has been recognised directly in equity on recognition of the equity component as a result of the Consent Solicitation.

Upon settlement of the Consent Solicitation, a net gain of $139.7 million (net of transaction costs) was recognised:

- A gain of $163.5 million was recognised which represents the difference between the carrying amount of the debt host of the pre-existing Senior Convertible Notes ($279.6 million) and the fair value of the debt host of the pre-existing Senior Convertible Notes ($116.1 million);
- A loss of $21.7 million which represents the difference between the fair value of the pre-existing Senior Convertible Notes of $116.1 million and the fair value of the Amended Senior Convertible Notes of $137.8 million; and
- A transaction cost of $2.1 million allocated to the extinguishment of the pre-existing Senior Convertible Notes debt host. As part of the Consent Solicitation, an Early Bird Fee of $2.1 million was paid by Zip, recorded in corporate financing costs during the period.

Notes to the Consolidated Financial Statements continued

Subsequent Measurement

The debt host had been measured at amortised cost using the effective interest method, with accretion to its final redemption amount based on the effective interest rate. Zip derecognises the carrying amount of the debt host proportionally to the notes converted out of the total outstanding, recognising a corresponding amount in equity allocated between issued capital and retained earnings, with no gain or loss on conversion.

From the Consent Solicitation date to 30 June 2024, Senior Convertible Notes holders converted all remaining Senior Convertible Notes ($137.8 million). At 30 June 2024, Zip reported a debt host of nil.

The equity component of the Senior Convertible Notes was reported 30 June 2024 at $163.8 million (net of deferred tax of $21.8 million) in accordance with AASB 9. Zip is not required to revalue the conversion feature recorded as equity at each reporting date. On conversion of the convertible instrument at maturity, the entity derecognised the liability component and recognised issued capital with the balance to retained earnings. The original equity component remains as equity (although it may be transferred from one line item within equity to another). There is no gain or loss on conversion at maturity.

Note 6. Taxation

Income Tax Expense/(Benefit)

	Consolidated	
	30 June 2024 $'000	30 June 2023* $'000
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Profit/(Loss) before income tax benefit from continuing operations	25,105	(366,275)
Tax at the statutory tax rate of 30%	7,532	(109,883)
– Share-based payments	446	71
– (Deductible)/non-deductible expenses	(90)	23,239
– Non-deductable fair value loss	4,617	15,486
– Impairment losses	676	2,288
– Assessable TOFA gain on financial instruments	6,466	23,792
– Effect of different tax rates of subsidiaries operating in other jurisdictions	(775)	4,250
	18,872	**(40,757)**
Current year tax losses (utilised)/not recognised	(11,112)	4,573
Initial recognition of prior year tax losses	–	(30,669)
Movement in temporary differences not recognised	23,216	19,431
Movement in temporary differences recognised	(11,530)	11,009
Income tax expense/(benefit) from continuing operations	**19,446**	**(36,413)**
Loss before income tax from discontinued operations	(2,267)	(47,340)
Income tax benefit from discontinued operations	(266)	(187)

* Comparative information has been restated to reflect discontinued operations in the current financial year. Please refer to Note 18.

Notes to the Consolidated Financial Statements continued

Deferred Tax

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 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	
	30 June 2024 $'000	30 June 2023 $'000
Deferred tax assets comprise temporary differences attributable to:		
Timing differences		
– Provision for expected credit losses	45,029	47,771
– Other provision and payables	38,735	49,687
– Fair value movements on financial instruments	25,573	(79)
Deferred tax assets comprise tax losses:	67,322	128,757
Less: Deferred tax assets not brought to account[1]	(153,776)	(153,877)
Deferred tax assets (recognised from temporary difference) before set off	**22,883**	**72,259**
Set off deferred tax liabilities pursuant to set-off provisions	(22,883)	(35,290)
Net deferred tax assets	**–**	**36,969**
Deferred tax liabilities comprise temporary differences attributable to:		
– Acquired intangibles and other	16,477	26,767
– Financial Instruments	6,406	8,523
Deferred tax liabilities before set off	**22,883**	**35,290**
Set off deferred tax assets pursuant to set-off provisions	(22,883)	(35,290)
Net deferred tax liabilities	**–**	**–**

1. Includes tax losses from continuing and discontinued operations.

In the year ended 30 June 2024, in addition to the amount charged to profit or loss, a tax of $21.8 million has been recognised directly in equity on recognition of the equity component as a result of the Consent Solicitation of the Senior Convertible Notes.

Based on the calculation of the Group's tax position, the Group had $263.0 million of tax losses at 30 June 2024 and $433.0 million of tax losses at 30 June 2023. The net movement during the period was $170.0 million ($177.0 million tax losses utilisation less current year tax losses movement $7.0 million).

Notes to the Consolidated Financial Statements continued

Note 7. Earnings/(Loss) Per Share

A. Reconciliation of Earnings/(Loss) Used in Calculating Earnings/(Loss) Per Share

	Consolidated	
	30 June 2024 $'000	30 June 2023* $'000
Profit/(Loss) attributable to the Members of the Zip Co Limited used in calculating basic and diluted earnings/(loss) per share		
Continuing operations	5,658	(329,862)
Discontinued operations	(2,001)	(47,153)
	3,657	(377,015)

* Comparative information has been restated to reflect discontinued operations in the current financial year. Please refer to Note 18.

B. Weighted Average Number of Shares Used as the Denominator

	30 June 2024 '000	30 June 2023[1] '000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings/(loss) per share	972,940	720,403
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings/(loss) per share	996,967	720,403

1. As the consolidated entity reported losses for the year ended 30 June 2023, no dilutive shares have been included in the EPS calculation.

C. Earnings/(Loss) Per Share from Continuing Operations

	30 June 2024 Cents	30 June 2023[1] Cents
Basic earnings/(loss) per share	0.58	(45.79)
Diluted earnings/(loss) per share	0.57	(45.79)

1. As the consolidated entity reported losses for the year ended 30 June 2023, no dilutive shares have been included in the EPS calculation.

D. Earnings/(Loss) Per Share from Continuing Operations and Discontinued Operations

	30 June 2024	30 June 2023[1]
Basic earnings/(loss) per share	0.38	(52.33)
Diluted earnings/(loss) per share	0.37	(52.33)

1. As the consolidated entity reported losses for the period ended 30 June 2023, no dilutive shares have been included in the EPS calculation.

Notes to the Consolidated Financial Statements continued

Note 8. Cash and Cash Equivalents

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Cash and cash equivalents	121,346	151,955
Restricted cash	231,660	123,955
	353,006	275,910

At 30 June 2024 the consolidated entity had cash of $353.0 million of which $231.7 million was restricted cash (30 June 2023: cash of $275.9 million of which $124.0 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 (30 June 2024: $43.9 million, 30 June 2023: $95.4 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 30 June 2024: $275.5 million, 30 June 2023: $219.4 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 (30 June 2024: $2.9 million, 30 June 2023: $0.8 million). Zip considers this amount to be available cash to fund operations.

Available cash and liquidity is determined as:

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Cash, cash equivalents and restricted cash	353,006	275,910
Less: unavailable cash		
– Restricted cash	(231,660)	(123,955)
– Operational floats	(43,855)	(95,396)
Add: excess invested securitisation warehouses and special purpose vehicles	2,921	759
Available cash and liquidity	80,412	57,318

Notes to the Consolidated Financial Statements continued

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

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Profit/(Loss) after income tax for the year	3,657	(377,015)
Depreciation and amortisation expenses	64,419	66,956
Share-based payments	6,620	12,595
Loss on derecognition of financial liabilities	1,048	7,037
Share of loss of associates	2,248	4,740
Fair value movements on financial instruments	15,019	61,109
Non-cash effective interest charged on convertible notes	3,529	78,079
Impairment losses	–	35,258
Other gains	(578)	–
Incentivised conversion – incentive payments	31,496	29,856
(Gain)/loss on disposal of financial assets	4,443	(6,725)
Gain on extinguishment of pre-existing senior convertible notes	(139,689)	–
Unrealised loss of financial liability	61,489	–
Other	(4,918)	–
Change in operating assets and liabilities:		
Movement in customer receivables	167,702	(159,646)
Movement in other assets and receivables	(13,665)	(15,855)
Movement in other liabilities and payables	44,829	75,733
Movement in employee provisions	9,731	(180)
Movement in deferred tax balances, net of deferred tax recognised in equity	15,157	(36,969)
	272,537	(225,027)

1. The consolidated entity has elected to present the reconciliation to operating activities in total – i.e. including both continuing and discontinued operations. Amounts related to discontinued operations by operating, investing and financing activities are disclosed in Note 18.

Note 9. Other Receivables

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Amounts due from payment platform providers	59,245	40,859
Prepayments	9,712	10,098
Accrued Income	21,020	15,444
Other receivables	10,848	20,759
Total	100,825	87,160

Notes to the Consolidated Financial Statements continued

Note 10. 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 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.

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.

In the assessment of the provision for expected credit losses at 30 June 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.

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 US economies that the consolidated entity operates in.

In the assessment of expected credit losses at 30 June 2024 and at 30 June 2023, 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 Consolidated Financial Statements continued

Provision Overview

The provision for expected credit losses as a percentage of receivables remained steady at 5.5% for 30 June 2023 and 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	Americas $'000	Consolidated $'000
Customer receivables[1]	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

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	Americas $'000	ZIP Business $'000	Consolidated $'000
Customer receivable	2,419,542	280,026	68,271	2,767,839
Unearned future income	(7,747)	(11,195)	–	(18,942)
Provision for expected credit losses	(120,475)	(23,159)	(8,431)	(152,065)
Balance at 30 June 2023	2,291,320	245,672	59,840	2,596,832

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

	ANZ $'000	Americas $'000	EMEA $'000	ZIP Business $'000	Consolidated $'000
Balance at 30 June 2022	116,716	29,158	8,755	5,560	160,189
Provided for the period[1]	103,481	54,663	–	–	158,144
Receivables written-off during the period	(118,244)	(80,015)	–	(5,664)	(203,923)
Recoveries during the period	18,523	18,631	–	667	37,821
Foreign exchange and other movements[2]	(1)	722	(8,755)	7,868	(166)
Balance at 30 June 2023	120,475	23,159	–	8,431	152,065
Provided in the period[1]	96,142	68,250	–	–	164,392
Receivables written-off during the period	(129,309)	(81,607)	–	(6,645)	(217,561)
Recoveries during the period	27,020	17,097	–	1,119	45,236
Foreign exchange and other movements[2]	25	983	–	(2,905)	(1,897)
Balance at 30 June 2024	114,353	27,882	–	–	142,235

1. Comparative information has been restated to reflect discontinued operations in the current financial year. Please refer to Note 18.
2. Other movements include the movements from discontinued operations.

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 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	Americas $'000	Consolidated $'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)

	ANZ $'000	Americas $'000	ZIP Business $'000	Consolidated $'000
Gross Customer Receivables				
Stage 1	2,237,280	254,970	61,543	2,553,793
Stage 2	136,899	16,681	4,899	158,479
Stage 3	45,363	8,375	1,829	55,567
Balance at 30 June 2023	2,419,542	280,026	68,271	2,767,839
Provision for Expected Credit Losses				
Stage 1	(26,418)	(8,673)	(5,158)	(40,249)
Stage 2	(65,504)	(9,648)	(1,393)	(76,545)
Stage 3	(28,553)	(4,838)	(1,880)	(35,271)
Balance at 30 June 2023	(120,475)	(23,159)	(8,431)	(152,065)

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			
	30 June 2024 $'000	% of Customer Receivables %	30 June 2023 $'000	% of Customer Receivables %
Past due under 30 days	84,210	3%	85,209	3%
Past due 31 days to under 60 days	40,335	2%	49,547	2%
Past due 61 to under 90 days	30,749	1%	32,429	1%
Past due 91 under 180 days	44,201	2%	46,861	2%

Notes to the Consolidated Financial Statements continued

The following table shows customer receivables and provision for expected losses presented based on the location of origination:

Customer Receivables	30 June 2024 $'000	30 June 2023 $'000
Australia	2,130,960	2,473,537
New Zealand	12,245	14,276
Americas	421,017	280,026
Balance	2,564,222	2,767,839

Provision for Expected Credit Losses	30 June 2024 $'000	30 June 2023 $'000
Australia	(113,956)	(127,959)
New Zealand	(397)	(947)
Americas	(27,882)	(23,159)
Balance	(142,235)	(152,065)

Note 11. Investments at FVTPL

	30 June 2024 $'000
Balance at 30 June 2023	13,846
Additional investments	1,544
Fair value loss	(15,390)
Balance at 30 June 2024	–

During the year ended 30 June 2024, Zip invested additional $1.5 million in ZestMoney and held 10.2% of interest in ZestMoney. Subsequently Zip recorded a fair value loss of $15.4 million based on the assessment of market value, bringing the value of investment in ZestMoney to Nil at 30 June 2024.

Note 12. Intangible Assets

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Carrying amounts		
Brand names and trademarks	62	62
Customer database	43	174
Transacting partner database	21,929	40,733
IT development and software	74,053	100,669
	96,087	141,638

Notes to the Consolidated Financial Statements continued

Consolidated	Brand Name and Trademarks $'000	Customer Database $'000	Transacting Partner Database $'000	It Development and Software $'000	Total $'000
Cost					
Balance at 30 June 2022	7,357	3,660	93,454	265,435	369,906
Additions (continuing operations)	–	–	–	17,648	17,648
Additions (discontinued operations)	–	–	–	3,771	3,771
Written-off	(229)	(1,468)	(948)	(16,350)	(18,995)
Disposals (discontinued operations)	(7,066)	(1,538)	(1,488)	(53,288)	(63,380)
Effect of movements in foreign exchange rates	–	–	3,405	(576)	2,829
Balance at 30 June 2023	62	654	94,423	216,640	311,779
Additions	–	–	–	16,469	16,469
Effect of movements in foreign exchange rates	–	–	85	208	293
Balance at 30 June 2024	62	654	94,508	233,317	328,541

Consolidated	Brand Name and 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 2022	(6,502)	(3,041)	(34,580)	(133,433)	(177,556)
Amortisation (continued operations)	–	(383)	(17,299)	(40,563)	(58,245)
Amortisation (discontinued operations)	–	–	(80)	(2,849)	(2,929)
Impairment	–	(63)	(59)	(7,601)	(7,723)
Written-off	229	1,468	948	16,350	18,995
Disposals (discontinued operations)	6,273	1,539	513	49,332	57,657
Effects of movements in foreign exchange rates	–	–	(3,133)	2,792	(341)
Balance at 30 June 2023	–	(480)	(53,690)	(115,972)	(170,142)
Amortisation	–	(131)	(16,975)	(41,126)	(58,232)
Effects of movements in foreign exchange rates	–	–	(1,914)	(2,167)	(4,081)
Balance at 30 June 2024	–	(611)	(72,579)	(159,265)	(232,455)

Notes to the 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:

- Brand name (fully written-off) and 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 13.

Note 13. Goodwill

The consolidated entity has three cash-generating units (CGUs) at 30 June 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	Zip Business $'000	Payflex $'000	Consolidated $'000
Balance as at 30 June 2022	4,548	195,806	1,234	2,112	19,044	222,744
Impairment (discontinued operations)	–	–	–	(2,112)	(18,447)	(20,559)
Effects of movements in foreign exchange rates	–	7,624	23	–	(597)	7,050
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

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.

As at 30 June 2024, for each of the remaining consolidated entity's CGU, the recoverable amount has been calculated based on value-in-use using free cash flow to equity (FCFE) projections covering a five-year period, including tax expense where relevant and financing costs, and then applying a discount rate comprising a cost of equity. Cash flow projections during the forecast period are based on the forecast revenue and transaction volume growth. Cash flows beyond the five-year period have been extrapolated using a steady long-term annual growth rate which did not exceed the long-term average for the sectors and economies in which the CGUs operate. The steady long-term growth rate was estimated by the Group based on past performance of each cash-generating unit and the growth expectations for the markets in which they operate.

Key rates included in the current financial year impairment assessment are set out in the following table:

	ZIP AU %	Zip US %	Zip NZ %
Discount rate – post tax[1]	13.2%	13.5%	13.2%
Long-term annual growth rate[2]	4.0%	4.0%	4.0%

1. Zip has used a post-tax discount rate applied to post-tax cash flows to be aligned with how valuation practitioners would ordinarily undertake such an exercise. Post-tax rates used in the prior financial year impairment assessment were 15.8% for Zip AU CGU, 15.0% for Zip US CGU and 16.4% for Zip NZ CGU
2. Long-term growth rates used in the prior financial year impairment assessment were 4.0% for Zip AU CGU, 4.0% for Zip US CGU and 4.0% for Zip NZ CGU.

Notes to the Consolidated Financial Statements continued

Sensitivity to Changes in Assumptions

For CGUs that are not assessed to be impaired, Zip has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for each of the group of CGUs to which goodwill is allocated. Forecast transaction volumes are the key drivers in determining the cash flow projections for each CGU. In the event that transaction volumes do not reach the levels forecast there is a risk that the forecast cash flows are not sufficient to support the carrying value of goodwill and an impairment charge may be reported in a future accounting period.

For Zip AU CGU, Zip US CGU and Zip NZ CGU, reducing the forecast compound annual growth rate (CAGR) of transaction volumes or long-term annual growth rate to zero would not result in an impairment charge. Further testing included increasing the discount rate beyond 40%, would not result in an impairment charge.

Note 14. Trade and Other Payables

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Trade payables	45,319	63,710
Amounts due to merchants and other partners	210,018	126,170
Incentivised conversion – incentive payments	–	17,354
Other	3,128	6,403
Total	258,465	213,637

The increase in amounts due to merchants and other partners reflects an increase in volumes in the US predominantly and the increase in pre-funding of transaction volumes by partners to cover trading days prior to 30 June 2024.

Note 15. Deferred Contingent Consideration

	Consolidated $'000
Balance at 30 June 2023	1,889
Settlement of Payflex contingent consideration	(2,028)
Foreign exchange effect	139
Balance at 30 June 2024	–

Payflex Contingent Consideration

Under the terms of the acquisition of Payflex, a maximum contingent consideration of ZAR$73.8 million was payable to the former Payflex shareholders in Zip shares or cash, subject to the achievement of performance milestones based on growth targets relating to the achievement of total transaction volumes and net transaction margins for the twelve months performance period ending 30 June 2022. Payflex achieved the performance milestones and accordingly Zip made payments to Payflex during the financial year ended 30 June 2023, reducing the outstanding balance to $1.9 million at 30 June 2023. This amount was settled in July 2023 and the liability reduced to nil as at 30 June 2024.

Notes to the Consolidated Financial Statements continued

Note 16. Borrowings

Borrowings and Securitisation Warehouse

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Secured Consumer facilities	2,300,288	2,440,325
Secured SME facilities	–	51,876
Corporate debt facility	130,000	90,000
	2,430,288	2,582,201
Add: accrued interest	9,272	11,878
Less: unamortised costs	(36,420)	(2,871)
	2,403,140	2,591,208

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.

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	
	30 June 2024 $'000	30 June 2023 $'000
Customer receivables[1]	2,271,979	2,517,658
Cash held through asset-backed financing program	231,660	123,955
	2,503,639	2,641,613
Borrowings related to receivables[2]	2,473,193	2,694,438

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 $129.0 million held by entities that do not have asset-backed financing programs in place at 30 June 2024 and $79.2 million at 30 June 2023.
2. Including $172.9 million junior and seller notes held by Zip's corporate entities ($202.2 million at 30 June 2023).

Notes to the Consolidated Financial Statements continued

Term of Facilities Financing Arrangements

Consumer Receivables	Facility Limit $'000	Drawn at 30 June 2024 $'000	Maturity	Facility Type
Zip Master Trust				
– Rated Note Series				
– 2021-2	663,500	663,500	September 2024	BBSW + Margin
– 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	BKBM + Margin
– Variable Funding Note	468,300	378,200	March 2025	BBSW + Margin
– Variable Funding Note 3	285,000	142,500	April 2026	BBSW + Margin
zipMoney 2017-1 Trust[3]	116,620	80,225	July 2024	BBSW + Margin
Zip NZ Trust 2021-1[1, 4]	18,300	10,067	July 2024	BKBM + Margin
AR3LLC[2]	339,700	283,816	December 2026	SOFR + Margin
Total	2,651,400	2,300,288		

1. Facility limit of NZ$20.0 million translated to AUD at exchange rate of 1.0927.
2. Facility limit of US$225.0 million translated to AUD at exchange rate of 0.6624.
3. Subsequent to 30 June 2024, Zip successfully extended the 2017-1 facility for two years with existing senior financiers and a new mezzanine investor.
4. Subsequent to 30 June 2024, Zip successfully extended the Zip NZ Trust 2021-1 facility for two years with the existing senior financier.

Term of Corporate Facility

	Facility Limit $'000	Drawn at 30 June 2024	Maturity	Facility Type
Corporate debt facility	150,000	130,000	December 2027	Fixed

During the period, Zip executed an agreement for $150.0 million to refinance its existing corporate debt with funds managed by Ares Management Corporation, a global alternative investment manager, providing corporate funding certainty, diversification and duration to Zip. The facility has a term of four years, featuring an interest rate of 15.0% per annum, subject to adjustment after 30 June 2024 based on Zip's financial performance. Interest payments are made quarterly, and Zip retains the option, at its discretion, to refinance or repay the facility prior to maturity. The corporate debt facility has a registered charge over certain Australian and New Zealand subsidiaries of the consolidated entity. Under Zip's corporate debt facility agreement, Zip may elect to repay earlier, in which case a premium may be payable to the lenders. On full repayment of the facility, Zip will pay an 'exit fee' (refer to Note 20).

Post balance sheet date the Company repaid the corporate debt facility and the associated exit fee in full via an equity raise (refer to Note 28).

Notes to the Consolidated Financial Statements continued

Reconciliation of Borrowing

At 30 June 2024	30 June 2023 $'000	Cash Movement $'000	Non-Cash Movement $'000	30 June 2024 $'000
Gross borrowings	2,582,200	(151,913)	–	2,430,287
Accrued interest	11,878	6,680	(9,286)	9,272
Unamortised costs	(2,871)	(6,606)	(26,943)	(36,420)
Total	2,591,207	(151,839)	(36,229)	2,403,139

At 30 June 2023	30 June 2022 $'000	Cash Movement $'000	Non Cash Movement $'000	30 June 2023 $'000
Gross borrowings	2,381,442	200,759	–	2,582,201
Accrued interest	4,434	(161,490)	168,934	11,878
Unamortised costs	(4,967)	(2,764)	4,860	(2,871)
Total	2,380,909	36,505	173,794	2,591,208

Note 17. 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, 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.

	30 June 2024 Shares '000	30 June 2024 $'000	30 June 2023 Shares '000	30 June 2023 $'000
Ordinary shares – fully paid	1,126,660	2,339,769	824,647	2,121,541
	1,126,660	2,339,769	824,647	2,121,541

Movements in Ordinary Share Capital

Details	Shares '000	$'000
Balance at 30 June 2022	687,936	2,041,496
Issue of shares – employee incentives	24,263	17,711
Issue of shares – capital raising	74,436	38,279
Issue of shares – exercise of options	225	73
Issue of shares – conversion of senior convertible notes	9,106	4,953
Issue of shares – Payflex deferred consideration	1,054	838
Issue of shares – Twisto holdback considerations	27,627	19,965
Cost of issuing shares	–	(1,774)
Balance at 30 June 2023	824,647	2,121,541
Issue of shares – employee incentives	13,421	3,936
Issue of shares – exercise of options	279	52
Issue of shares –convertible notes	288,313	214,301
Cost of issuing shares	–	(61)
Balance at 30 June 2024	1,126,660	2,339,769

Notes to the Consolidated Financial Statements continued

Movements in Performance Rights

Details	Rights '000
Balance at 30 June 2022	9,192
Issued during the year	19,548
Lapsed during the year	(6,416)
Vested during the year	(3,438)
Exercised during the year	(387)
Balance at 30 June 2023	18,499
Issued during the period	6,528
Lapsed during the period	(5,644)
Vested during the year	(4,984)
Balance at 30 June 2024	14,399

Shares Under Performance Rights

Shares Under at Risk Long-Term Incentives (LVTR):

At Risk Long-Term Incentives were issued for no consideration under the Employee Incentive Plan, and have a nil exercise price and vest based on the achievement of Total Shareholder Return hurdles and time-based hurdles as set out previously in the Remuneration Report.

Issue Date	Vesting Date	Expiry Date	Number of Rights Issued	Fair Value at Grant Date $
15 February 2019	15 September 2021	15 February 2025	116,667	$0.287
15 February 2019	15 February 2023	15 February 2025	406,666	$0.317
7 June 2021	7 June 2023	7 June 2027	99,904	$6.880
7 June 2021	7 June 2024	7 June 2027	66,542	$6.880
15 November 2021	15 September 2024	30 November 2027	11,127	$2.990
15 November 2021	15 September 2024	30 November 2027	34,188	$2.990
18 November 2021	15 September 2024	30 November 2027	101,260	$2.990
19 November 2021	15 September 2024	30 November 2027	105,504	$2.990
24 November 2021	15 September 2024	30 November 2027	25,070	$2.990
29 November 2021	15 September 2024	30 November 2027	12,776	$2.990
13 March 2023	13 March 2026	13 March 2029	2,502,420	$0.265
15 September 2023	15 September 2026	15 September 2029	3,769,658	$0.258
15 September 2023	15 September 2026	15 September 2029	1,505,470	$0.204
Total at 30 June 2024			8,757,252	

Notes to the Consolidated Financial Statements continued

Issued in the Year Ended 30 June 2024:

Issue Date	Vesting Date	Expiry Date	Number of Rights Issued	Fair Value at Grant Date $
13 March 2023	13 March 2026	13 March 2029	251,007	$0.265
15 September 2023	15 September 2026	15 September 2029	3,769,658	$0.258
15 September 2023	15 September 2026	15 September 2029	1,505,470	$0.204
Total Issued in the financial year			5,526,135	

Lapsed in the Year Ended 30 June 2024:

Issue Date	Vesting Date	Expiry Date	Number Issued
15 February 2019	15 February 2022	15 February 2025	(406,666)
15 February 2019	15 September 2022	15 February 2025	(393,333)
15 February 2019	15 September 2023	15 February 2025	(381,618)
15 February 2019	15 February 2024	15 February 2025	(406,668)
15 December 2019	15 September 2022	15 December 2025	(54,794)
15 December 2019	15 September 2023	15 December 2025	(54,795)
15 December 2019	15 September 2024	15 December 2025	(54,795)
02 July 2020	15 September 2023	24 June 2026	(36,948)
02 July 2020	15 September 2024	24 June 2026	(36,948)
02 July 2020	15 September 2025	24 June 2026	(36,949)
26 October 2020	14 September 2023	22 October 2026	(23,030)
15 November 2021	15 September 2024	30 November 2027	(23,016)
13 March 2023	13 March 2026	13 March 2029	(307,684)
Total lapsed in the financial year			(2,217,244)

Shares Under Long-Term Equity (LTE):

LTEs issued provide Zip with the best opportunity to retain senior leaders and attract high-quality talent. LTEs were issued with equal vesting over one to four years. LTE is not subject to any performance hurdles and only requires the Executive to remain employed for the rights to vest.

Details of LTEs outstanding during the period are as follows:

	Weighted Average Fair Value ($)	Number of LTE Issued
Balance at 30 June 2022		5,280,547
Issued during the year	0.56	16,989,338
Forfeited during the year	2.07	(5,779,585)
Vested during the year	2.20	(3,438,460)
Balance at 30 June 2023		13,051,840
Issued during the year	0.27	1,001,498
Lapsed during the year	2.13	(3,427,752)
Vested during the year	1.74	(4,984,150)
Balance at 30 June 2024		5,641,436

Notes to the Consolidated Financial Statements continued

Restricted Rights to Non-Executive Directors (NEDs) for FY24

The Company established the NED Equity Plan to assist in the motivation, retention and reward of NEDs and to provide an opportunity for the NEDs to acquire shareholdings in the Company through the sacrifice of fees into equity. Following approval by shareholders at the 2023 AGM, the rights under the NED Equity Plan were granted on 19 December 2023 and vested immediately, not subject to performance-based vesting conditions or vesting conditions of any kind. Each right under the NED Equity Plan ends 15 years after the grant date, and if not exercised before the end of the Term the rights under the NED Equity Plan will lapse. Details of rights under the NED Equity Plan movement are as follows:

	Weighted Average Fair Value ($)	Number of NED Equity issued
Balance at 30 June 2023		87,719
Issued during the year	$0.32	251,177
Balance at 30 June 2024		338,896

Movements In Warrants

Details	Warrants '000
Balance at 30 June 2022	33,980
Lapsed during the period	(3,654)
Balance at 30 June 2023	30,326
Lapsed[1]	(23,018)
Balance at 30 June 2024	7,308

1. During the period 23.0 million warrants lapsed of which 1.8 million related to prior periods.

The following table shows details of warrants issued outstanding at 30 June 2024:

Issue Date	Expiry Date	Exercise Price	Number Issued
6 November 2019	6 November 2026	$4.70	7,307,500
Balance at 30 June 2024			7,307,500

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.

Notes to the Consolidated Financial Statements continued

During the financial year ended 30 June 2024 1,826,875 Amazon Warrants, representing 12.5% of the total Amazon Warrants, were cancelled in November 2023. The transaction volumes processed through Amazon Australia have not met the requirement of the fourth anniversary date, being 7 November 2023.

Movements in Convertible Notes

Details	Convertible Notes
Balance at 30 June 2023	1,951
Amendment from consent solicitation[1]	274,239
Repayment of convertible notes issued to CVI[1]	(100)
Conversion of Senior Convertible Notes[1]	(276,090)
Balance at 30 June 2024	–

1. Refer to Note 5 for details of the convertible notes.

Share buy-back

There were no on-market share buy-backs during the year to 30 June 2024.

Note 18. 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 the 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. During the financial year ended 30 June 2023, the consolidated entity has ceased operations in Singapore, the United Kingdom and Mexico, and completed the sale of the Spotii, Twisto and Payflex operations.

In accordance with AASB 5, the consolidated entity has disclosed these operations under discontinued operations as one line on the face of the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Prior period comparatives have been reclassified to be comparable.

Results of discontinued operations

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Revenue	5,187	49,929
Expenses	114	(103,994)
Profit/(loss) before income tax (expense)/benefit	5,301	(54,065)
Gain on sale of subsidiaries	–	6,725
Loss on sale of customer receivables[1]	(7,568)	–
Loss after income tax (expense)/benefit	(2,267)	(47,340)
Income tax benefit	266	187
Loss after income tax from discontinued operations	(2,001)	(47,153)

1. During the period the Group sold the remaining Zip Business customer receivables for gross proceeds of $27.3 million, generating a loss on disposal of $7.6 million.

Notes to the Consolidated Financial Statements continued

Cash flows from/(used in) discontinued operations

The condensed cash flows from/(used in) discontinued operations during the period are set out below:

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Net cash flow from/(used in) operating activities	18,444	(24,653)
Net cash flow from investing activities	27,264	5,788
Net cash flow (used in)/from financing activities	(52,194)	5,838
Net decrease in cash and cash equivalents from discontinued operations	(6,486)	(13,027)

Note 19. Dividends

There were no dividends paid, recommended or declared during the current or previous financial period.

Note 20. Financial Risk Management

Financial Risk Management Objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. These methods include sensitivity analysis in the case of interest rate and other price risks, and ageing analysis for credit risk.

Market Risk

Foreign Currency Risk

Foreign currency risk arises on financial instruments that are denominated in a foreign currency, that is in a currency other than the functional currency in which they are measured. Foreign currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

The consolidated entity undertakes transactions denominated in its subsidiaries' functional currencies; consequently, limited exposures to exchange rate fluctuations arise.

The consolidated entity did not hedge any foreign currency risks during the financial year ended 30 June 2024 or 30 June 2023.

Translation exposures arise from financial and non-financial items held by an entity with a functional currency different from the consolidated entity's presentation currency. The consolidated entity's exposure to translation-related risk mainly arises from its investments in subsidiaries in the United States and New Zealand businesses. The foreign exchange gain or loss on translating the consolidated entity's investment in foreign subsidiaries to Australian dollars at the end of the financial year is recognised in Other Comprehensive Income and accumulated in the foreign currency translation reserve.

Notes to the Consolidated Financial Statements continued

Price Risk

The consolidated entity is exposed to the equity price risk arising from its embedded derivative in the corporate debt facility, which has been recorded as a financial liability at 30 June 2024.

Under Zip's corporate debt facility agreement, Zip may elect to repay earlier, in which case a premium may be payable to the lenders. On full repayment of the facility, Zip will pay an exit fee calculated as "$25.0 million × A/B", where "A" is dependent is on the method used to repay or refinance the facility. Unless agreed otherwise between lender and borrower, in majority of refinancing methods "A" is the 30-day volume-weighted average price (VWAP) of Zip's ordinary shares on the date of repayment of the facility, subject to customary adjustments; "B" is the 30-day volume-weighted average price of Zip's ordinary shares on the date of entry into the facility.

The 30-day volume-weighted average price of Zip's ordinary shares on the date of entry into the corporate debt facility was $0.45, while the calculation of 30-day volume-weighted average price of Zip's ordinary shares on the date of repayment is a future event. In accordance with AASB 9, Zip accounted for the corporate debt facility exit fee including an embedded derivative, which is separated from the borrowing, and classified it as a financial liability, and fair valued through profit and loss.

At 30 June 2024, the value of the corporate debt facility exit fee has been determined to be $86.5 million, comprising an embedded derivative of $61.5 million (refer to Note 3) and a non-current payable of $25.0 million. Subsequent to year end the Group fixed the exit fee reference share price at $1.60 and repaid the facility resulting in a payment of $88.9 million.

The Group will fair value this item each reporting date. Relevant valuation inputs will be taken into consideration, the most significant being share price movement.

In accordance with AASB 13 *Fair Value Measurement*, the value of borrowing was initially recognised at fair value of $125.0 million, being the principal of the debt facility of $150.0 million net of a borrowing cost of $25.0 million, and subsequently carried at amortised cost. The embedded derivative associated with the debt facility exit fee is classified as a level 2 financial instrument within the fair value hierarchy of fair value measurement.

Post balance sheet date the Company repaid the corporate debt facility and the associated exit fee in full using funds received by the issuance of ordinary equity (refer to Note 28).

Interest Rate Risk

The consolidated entity's main interest rate risk arises from its cash and cash equivalents, term deposits and borrowings. Secured borrowings to fund the customer receivables are a mix of fixed rate borrowings and floating-rate borrowings where the rates are set as a fixed margin plus 1-month BBSW/SOFR.

The consolidated entity also earns interest from its customer receivables on fixed rates. In the event of a movement in interest rates the consolidated entity would review its pricing framework in accordance with its risk management policy.

At the end of the reporting period, the consolidated entity had the following variable rate borrowing outstanding:

	Weighted Average Interest Rate	30 June 2024 $'000	Weighted Average Interest Rate	30 June 2023 $'000
Floating rate secured borrowing	7.56%	(2,300,288)	7.35%	(2,582,201)

Notes to the Consolidated Financial Statements continued

At the end of reporting periods, the consolidated entity had the following financial assets and liabilities exposed to variable interest rate risk:

	30 June 2024 $'000	30 June 2023 $'000
Cash and cash equivalents	121,346	151,955
Restricted cash	231,660	123,955
Term deposit	4,510	7,196
Floating rate secured borrowing	(2,300,288)	(2,582,201)

In the event of a +/– 100 basis points movement in the BBSW/SOFR, based on reasonable possible judgement, and with all other variables held constant, the consolidated entity's:

- Profit after tax for the year ended 30 June 2024 would increase/decrease by $13.6 million (2023: increase/decrease by $16.1 million). This is mainly attributable to the consolidated entity's exposure to interest rates on its floating rate borrowings; and
- Equity at 30 June 2024 would increase/decrease by $13.6 million (2023: increase/decrease by $16.1 million).

Credit Risk

- Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming application details and setting appropriate credit limits prior to customers joining the Zip platform.
- The consolidated entity regularly reviews customer collections, and collections past due. If there are uncollectable customer receivables, the consolidated entity will write off these receivables but will continue to work on their recovery.
- The consolidated entity regularly reviews the level of provision for expected credit loss to ensure that the level of provision is sufficient to mitigate the credit risk exposure in terms of financial reporting. The provision raised represents management's expectation for credit losses in the receivables portfolio at the reporting date measured in accordance with AASB 9.
- The collective provision is estimated on the basis of historical loss experience for assets with similar credit characteristics by the consolidated entity and other companies with similar portfolios. The maximum exposure to credit risk at the reporting date for recognised financial assets is the carrying amount, net of any provisions for expected credit losses of those assets, as disclosed in the Consolidated Statement of Financial Position and notes to the consolidated financial statements. Refer to Note 10 for detailed assessment of expected credit losses.
- The consolidated entity does not hold any collateral or other credit enhancements.

Liquidity Risk

Liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable. The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities, by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Each of the securitisation warehouses in place has loan covenants that are in line with standard market practice given the nature of the warehouse facilities. There were no breaches of any of the covenants in place during the financial period.

Notes to the Consolidated Financial Statements continued

Financing Arrangements

Unused borrowing facilities at the reporting date are disclosed in Note 16.

Remaining Contractual Maturities

The financial assets of the consolidated entity predominantly comprise customer receivables that have:

- An average repayment profile of six months for Zip Pay receivables and nine and a half months for Zip Money receivables;
- Customer repayments for Zip's Instalment product have a short-term duration, typically 42 days. Instalment products are offered by Zip Americas. Zip business and Zip EMEA operating segments (discontinued during the financial year ended 30 June 2024 and 30 June 2023 respectively); and
- The following tables detail the consolidated entity's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the consolidated statement of financial position.

Consolidated 30 June 2024	Weighted Average Interest Rate %	1 Year or Less $'000	Between 1 and 2 Years $'000	Between 2 and 5 Years $'000	Over 5 Years $'000	Remaining Contractual Maturities $'000
Non-interest-bearing						
Trade and other payables	–	258,465	–	–	–	258,465
Corporate debt facility – exit fee	–	–	–	86,489	–	86,489
Lease liabilities	–	4,867	4,923	8,981	–	18,771
Interest-bearing						
Borrowings						
– Floating rate	7.56%	1,249,714	685,630	565,030	–	2,500,374
– Fixed rate	15.00%	19,314	19,314	158,971	–	197,599
Total non-derivatives		1,532,360	709,867	819,471	–	3,061,698

Consolidated 30 June 2023	Weighted Average Interest Rate %	1 Year or Less $'000	Between 1 and 2 Years $'000	Between 2 and 5 Years $'000	Over 5 Years $'000	Remaining Contractual Maturities $'000
Non-interest-bearing						
Trade and other payables		213,637	–	–	–	213,637
Deferred contingent consideration		1,889	–	–	–	1,889
Lease liabilities		4,001	4,071	12,191	–	20,263
Interest-bearing						
Borrowings						
– Floating rate	7.35%	1,701,179	702,900	190,000	–	2,594,079
		1,920,706	706,971	202,191	–	2,829,868

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Notes to the Consolidated Financial Statements continued

Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the consolidated entity. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair Value Hierarchy

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level in the fair value measurement hierarchy as follows:

- Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – a valuation technique is used using inputs other than quoted prices within level 1 that are observable for the financial instrument, either directly (i.e. as prices), or indirectly (i.e. derived from prices).
- Level 3 – a valuation technique is used using inputs that are not observable based on observable market data (unobservable inputs).

The Group consider that the carrying amount of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Fair Value Hierarchy at 30 June 2024	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Cash and cash equivalents	121,346	–	–	121,346
Restricted cash	231,660	–	–	231,660
Other receivables	–	91,113	–	91,113
Term deposit	–	4,510	–	4,510
Customer receivables	–	2,398,592	–	2,398,592
Total	**353,006**	**2,494,215**	**–**	**2,847,221**
Financial liabilities				
Trade and other payables	–	258,465	–	258,465
Leasing liabilities	–	17,094	–	17,094
Borrowings	–	2,403,140	–	2,403,140
Other Financial liabilities	–	86,489	–	86,489
Total	**–**	**2,765,188**	**–**	**2,765,188**

Notes to the Consolidated Financial Statements continued

Fair Value Hierarchy at 30 June 2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Cash and cash equivalents	151,955	–	–	151,955
Restricted cash	123,955	–	–	123,955
Other receivables	–	77,062	–	77,062
Term deposit	–	7,196	–	7,196
Customer receivables	–	2,596,832	–	2,596,832
Investment at FVTPL	–	13,846	–	13,846
Total	**275,910**	**2,694,936**	**–**	**2,970,846**
Financial liabilities				
Trade and other payables	–	213,637	–	213,637
Deferred contingent consideration	–	1,889	–	1,889
Leasing liabilities	–	17,717	–	17,717
Borrowings	–	2,591,208	–	2,591,208
Net debt host	–	324,805	–	324,805
Financial liabilities – convertible notes embedded derivative	–	–	1,314	1,314
Financial liabilities – warrants	–	–	1,049	1,049
Total	**–**	**3,149,256**	**2,363**	**3,151,619**

Note 21. 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. Zip notes that Firstmac has now 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. 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. 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 30 June 2024.

Notes to the Consolidated Financial Statements continued

Note 22. Key Management Personnel (KMP) Disclosures

Directors

The following persons were Directors of Zip Co Limited (Zip or the Company) during the financial year ended 30 June 2024:

- Diane Smith-Gander AO
- Cynthia Scott (appointed on 24 August 2023)
- Larry Diamond
- Meredith Scott
- John Batistich
- Kevin Moss (appointed on 21 May 2024)
- Peter Gray (resigned as Director on 23 August 2023)

Other KMP

- Gordon Bell (appointed Group Chief Financial Officer on 2 October 2023)
- Martin Brooke (ceased being a KMP on 29 September 2023)

Compensation

The aggregate compensation made to Directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Short-term employee benefits	5,198	2,407
Post-employment benefits	187	162
Long-term benefits	(23)	69
Share-based payments	2,545	763
	7,907	3,401

Note 23. Related Party Transactions

Parent Entity

Zip Co Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in Note 26.

Key Management Personnel

Disclosures relating to key management personnel are set out in Note 22 and the remuneration report included in the Directors' report.

Transactions with Related Parties

During the financial year ended June 2023, Peter Gray invested $1.0 million in Class C Notes in Variable Funding Note 2 (VFN2) in the Zip Master Trust. The investment was made as part of a public offer process, on the same commercial terms as offered to each of the Class C noteholders investing in VFN2 in the Zip Master Trust.

Notes to the Consolidated Financial Statements continued

During the period, a capital re-payment of $1.0 million and interest payments of $0.2 million was made to Peter Gray for his investment in the Class C Notes in Variable Funding Note 2 (VFN2) in the Zip Master Trust. The capital and interest payments were made on the same terms as all Class C Note holders.

Other than reported in this note and in Note 22, there were no other transactions with related parties during the current and previous financial year.

Receivable from and Payable to Related Parties

There were no trade receivables due from, or trade payables due to related parties at the current and previous reporting date.

Loans to/from Related Parties

There were no other loans to/from related parties at the current and previous reporting date.

Note 24. Remuneration of Auditors

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu (the auditor of the consolidated entity) and other auditors:

	Consolidated	
	30 June 2024 $'000	30 June 2023 $'000
Deloitte		
– Group	1,450	1,526
– Controlled entities	743	671
Other Assurance services	106	35
Consulting services	–	29
Total	2,299	2,261
Other Auditors		
Audit and review of the financial statements	26	265
Consulting services	–	77
Total	26	342

Note 25. Parent Entity Information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements except as set out below.

Investments in Subsidiaries, Associates and Joint Ventures

Investments in subsidiaries, associates and joint ventures are accounted for at cost. Dividends (if any) received from subsidiaries, associates and joint ventures are recognised in profit or loss when a right to receive the dividend is established (provided that it is probable that the economic benefits will flow to the Parent and the amount of income can be measured reliably).

Tax Consolidation

The Company and its wholly-owned Australian resident entities are members of a tax-consolidated group under Australian tax law. The Company is the head entity within the tax-consolidated group.

See Note 1 for a summary of the significant accounting policies relating to the consolidated entity. Set out below is the supplementary information about the parent entity.

Notes to the Consolidated Financial Statements continued

Set out below is the supplementary information about the parent entity.

Statement of Profit or Loss and Other Comprehensive Income

	Parent	
	30 June 2024 $'000	30 June 2023 $'000
Profit/(loss) after income tax	102,466	(145,121)
Total comprehensive profit/(loss)	102,466	(145,121)

Statement of Financial Position

	Parent	
	30 June 2024 $'000	30 June 2023 $'000
Total current assets	11,210	63,439
Total non-current assets	1,643,011	1,568,018
Total assets	1,654,221	1,631,457
Total current liabilities	(1,251)	(349,416)
Net assets	1,652,970	1,282,041
Issued capital	2,339,769	2,121,541
Reserves	76,768	75,918
Convertible notes – equity	163,848	114,466
Accumulated losses	(927,415)	(1,029,884)
Total equity	1,652,970	1,282,041

Guarantees Entered into by the Parent Entity in Relation to the Debts of its Subsidiaries

During the financial year ended 30 June 2024 and financial year 30 June 2023, the parent entity and certain subsidiaries had a deed of cross guarantee in place under which each company guarantees the debts of the others.

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and a Directors' Report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The effect of the Deed is that the parent entity guarantees to each creditor payment in full of any debt in the event of winding up of the subsidiaries included in the Deed under certain provisions of the *Corporations Act 2001*.

The subsidiaries detailed in Note 26 are parties to a deed of cross guarantee under which each guarantees the debts of the others. These controlled entities have been relieved of the requirement to prepare a financial report and Directors' Report under *ASIC Corporations (Wholly-owned Companies) Instruments 2016/785*. These controlled entities and the Company form a closed group. Included in the closed group are receivables on zipMoney Payments Pty Ltd's balance sheet which are transferred to the Trusts (which are not parties to the deed of cross guarantee) but failed derecognition due to zipMoney Payments Pty Ltd retaining substantially all the risks and rewards of ownership.

The effects of transactions between entities to the deed are eliminated in full in the Consolidated Statement of Financial Position and Consolidated Statement of Profit or Loss and Other Comprehensive Income as set out in the following tables.

Notes to the Consolidated Financial Statements continued

The Consolidated Statement of Financial Position of the Closed Group is set out in the following table:

	30 June 2024 $'000	30 June 2023 $'000
Assets		
Cash and cash equivalents	53,176	75,817
Restricted cash	83,495	61,525
Other receivables	58,952	51,291
Customer receivables	2,008,449	2,315,538
Property, plant and equipment	2,052	3,853
Right-of-use assets	14,270	18,037
Intangible assets	12,180	13,767
Investments and intercompany balances	1,216,729	1,079,359
Deferred tax assets	–	36,969
Total assets	3,449,303	3,656,156
Liabilities		
Trade and other payables	(43,878)	(53,462)
Employee provisions	(11,749)	(7,053)
Lease liabilities	(14,157)	(17,034)
Borrowings	(2,111,679)	(2,358,245)
Financial liabilities – convertible notes and warrants	–	(327,168)
Other financial liabilities	(86,489)	–
Total liabilities	(2,267,952)	(2,762,962)
Net assets	1,181,351	893,194
Issued capital	2,339,769	2,121,541
Reserves	76,290	75,439
Convertible notes – equity	163,848	114,466
Accumulated losses	(1,398,556)	(1,418,252)
Total equity	1,181,351	893,194

Notes to the Consolidated Financial Statements continued

The Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Closed Group is set out in the following table:

	30 June 2024 $'000	30 June 2023 $'000
Portfolio interest income	392,864	346,854
Transactional income	16,335	22,026
Revenue	409,199	368,880
Other income	6,043	3,862
Bad debts and expected credit losses	(96,582)	(105,942)
Bank fees and data costs	(21,569)	(24,418)
Interest expense	(158,025)	(127,987)
Salaries and employee benefits expenses	(74,829)	(85,006)
Marketing expenses	(4,290)	(3,116)
Information technology expenses	(20,611)	(23,149)
Depreciation and amortisation expenses	(14,984)	(15,700)
Share-based payments	(3,421)	(6,038)
Corporate financing costs	(49,205)	(109,390)
Other operating expenses	(15,445)	(84,004)
Impairment of investments	–	(71,331)
Net other gains	78,570	(8,264)
Loss before income tax	34,851	(291,603)
Income tax expense	(15,155)	36,847
Loss after income tax	19,696	(254,756)
Other comprehensive Income, net of tax	–	–
Total comprehensive loss	19,696	(254,756)

Contingencies

Other than reported in Note 21, the parent entity had no contingencies as at 30 June 2024 and 30 June 2023.

Capital Commitments — Property, Plant and Equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2024 and 30 June 2023.

Notes to the Consolidated Financial Statements continued

Note 26. Interest In Subsidiaries

A. Ultimate Parent

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

B. 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	30 June 2024 %	30 June 2023 %
Zip Co Limited[1]	Australia	–	–
Legal subsidiaries			
zipMoney Payments Pty Ltd[1]	Australia	100.0%	100.0%
zipMoney Trust 2017-1[2]	Australia	100.0%	100.0%
zipMoney Trust 2017-2[2]	Australia	–	100.0%
Zip Master Trust[2]	Australia	100.0%	100.0%
zipMoney Holdings Pty Ltd[1]	Australia	100.0%	100.0%
zipMoney Securities Ltd	Australia	100.0%	100.0%
Pocketbook Holdings Pty Ltd	Australia	100.0%	100.0%
Pocketbook Australia Pty Ltd	Australia	100.0%	100.0%
Pocketbook Technologies Pty Ltd	Australia	100.0%	100.0%
Zip Domestic Holdings Pty Limited	Australia	100.0%	100.0%
Zip International Holdings Pty Limited	Australia	100.0%	100.0%
Zip International India Pty Ltd	Australia	100.0%	100.0%
Zip Business Australia Pty Ltd	Australia	100.0%	100.0%
Funding Box 3 (Australia) Pty Ltd	Australia	100.0%	100.0%
ZipBiz Trust 2020-1[2]	Australia	–	100.0%
Zip Business Trust 2022-1[2]	Australia	100.0%	100.0%
Urge Holdings Pty Ltd	Australia	100.0%	100.0%
Urge Technologies Pty Ltd	Australia	100.0%	100.0%
Schnap Pty Ltd	Australia	100.0%	100.0%
zipMoney Payments (NZ) Limited	New Zealand	100.0%	100.0%
Zip Business New Zealand Pty Ltd	New Zealand	100.0%	100.0%
Funding Box NZ Limited	New Zealand	100.0%	100.0%
Zip Co NZ Limited	New Zealand	100.0%	100.0%
Zip Co NZ Finance Limited	New Zealand	100.0%	100.0%
Zip NZ Trust 2021-1	New Zealand	100.0%	100.0%
Zip Co Payments UK Limited	United Kingdom	100.0%	100.0%
Zip Co Finance UK Limited	United Kingdom	100.0%	100.0%
Zip UK Holdings LTD	United Kingdom	100.0%	100.0%
QuadPay AR1 LLC	United States of America	100.0%	100.0%
Zip Co US Inc	United States of America	100.0%	100.0%
AR2 LLC	United States of America	100.0%	100.0%
AR2 Holdco LLC	United States of America	100.0%	100.0%

Notes to the Consolidated Financial Statements continued

Legal parent	Principal place of business/ Country of incorporation	Ownership Interest 30 June 2024 %	Ownership Interest 30 June 2023 %
AR3 LLC	United States of America	100.0%	–
AR3 Holdco LLC	United States of America	100.0%	–
Zip Co Canada Holdings Inc	United States of America	100.0%	100.0%
Zip Co Payments Mexico. S.A.de C.V.	Mexico	100.0%	100.0%
Zip Co Payments Canada ULC	Canada	100.0%	100.0%
Zip Global Consulting Pte Ltd	Singapore	–	100.0%

1. These entities have entered into a deed of cross guarantee, refer to Note 25 for details.
2. Ownership is through ZipMoney Payments Pty Ltd, which is both the Participating Unitholder and Residual Unitholder of the ZipMoney Trust 2017-1, the ZipMoney Trust 2017-2, the Zip Master Trust, the ZipBiz Trust 2020-1 and the Zip Business Trust 2022-1.

Note 27. Share-Based Payments

Movements in Share-Based Payments Reserve

Details	30 June 2024 $'000	30 June 2023 $'000
Opening balance	76,630	85,475
Recognised for the year		
– At Risk Short-Term Incentive	4,059	8,516
– At Risk Long-Term Incentive	(58)	(1,438)
– Fixed Long-Term Equity	2,503	3,741
– Recognition of replacement options issued to QuadPay at acquisition	112	172
– Recognition of NED equity plans	4	47
Total recognised for the year	6,620	11,038
Exercised for the year		
– Exercise of share-based payments	(1,833)	(9,246)
– Issue of shares to Zip Employee Share Trust	(5,149)	(10,637)
Total exercised for the year	(6,982)	(19,883)
Closing balance	76,268	76,630

Employee Short-Term Variable Reward (STVR)

Short-term incentives are granted to employees for their contribution to the performance of the consolidated entity and include annual share awards, sign-on bonuses and project specific incentives. Provision is made during the year for incentives that are to be issued during the year and in subsequent years.

Shares have been issued under the Employee STVR as follows:

- 10,532,410 ordinary shares issued in financial year 2024 with a weighted average share price of $0.29; and
- 20,849,020 ordinary shares issued in financial year 2023 with a weighted average share price of $0.76.

Shares issued vest immediately other than those issued to KMP as set out in Remuneration Report.

Shares issued under the Short-Term Incentive Plan are expensed as share-based payments as the obligation is incurred.

Notes to the Consolidated Financial Statements continued

Employee Long-Term Incentive Plan

Performance rights include Long-Term Variable Reward (LTVR) and Fixed Long-Term Equity (LTE), which are subject to the consolidated entity's Remuneration Framework Structure as set out in Remuneration Report.

LTVR:

LTVRs have been issued under the consolidated entity's Employee Long-Term Incentive Plan as follows:

- 5,526,135 LTVRs issued in financial year 2024 to management; and
- 2,599,097 LTVRs issued in financial year 2023 to management.

Details of LTVRs outstanding during the year are as follows:

	Weighted Average Fair Value $	Number of LTVR Issued
Balance at 30 June 2022		**3,911,699**
Granted during the year	$0.26	2,559,097
Exercised during the year	$2.65	(386,666)
Lapsed during the year	$4.58	(635,769)
Balance at the 30 June 2023		**5,448,361**
Granted during the year	$0.21	5,526,135
Lapsed during the year	$2.03	(2,217,244)
Balance at the 30 June 2024		**8,757,252**

The LTVRs have a nil exercise price and vest on the achievement of Total Shareholder Return or Transaction Volume hurdles and time based hurdles over the period from the date of grant to the assessment dates. The assessment dates are up to three years from the date of grant.

LTVRs granted were valued by an independent valuation expert using a custom-built Monte Carlo model which simulates multiple paths for the share price over the duration of the grant's life. The pay out of the rights is then calculated along each simulated path based on the realised performance of the share price along that path and discounted to the valuation date. The value of the rights is then averaged across all the simulations to obtain the fair value of the rights. This process is repeated for each volatility scenario. These benefits are amortised as share-based payments over the vesting period.

LTE:

LTEs were issued with equal vesting over one to four years. LTE is not subject to any performance hurdles and only requires the employees to remain employed for the vesting period for the rights to vest.

Notes to the Consolidated Financial Statements continued

The movements in LTE balances during the year are as follows:

	Weighted Average Fair Value $	Number of LTE Issued
Balance at 30 June 2022		**5,280,547**
Granted during the year	$0.56	16,989,338
Exercised during the year	$2.07	(5,779,585)
Lapsed during the year	$2.20	(3,438,460)
Balance at 30 June 2023		**13,051,840**
Granted during the year	$0.27	1,001,498
Exercised during the year	$1.74	(4,984,150)
Lapsed during the year	$2.13	(3,427,752)
Balance at 30 June 2024		**5,641,436**

All granted LTEs were valued under risk neutral principles, with the future expected value for each LTE being the grant date share price escalated at the risk-free rate. This future expected value is discounted back to the grant date using the risk-free rate, resulting in the fair value at the grant date being Zip's share price at the grant date.

Restricted Rights to NEDs

The Company established the NED Equity Plan to assist in the motivation, retention and reward of NEDs and to provide an opportunity for the NEDs to acquire shareholdings in the Company through the sacrifice of fees into equity. Following approval by shareholders at the 2023 AGM, the rights under the NED Equity Plan were granted on 19 December 2023 and vested immediately, not subject to performance-based vesting conditions or vesting conditions of any kind.

Details of rights under the NED Equity Plan movement are as follows:

	Weighted Average Fair Value $	Number of NED Equity Issued
Balance at the 30 June 2023		**87,719**
Granted during the year	$0.32	251,177
Balance at the 30 June 2024		**338,896**

All rights granted under the NED Equity Plan were valued under risk neutral principles, with the future expected value for each right under the NED Equity Plan being the grant date share price escalated at the risk-free rate. This future expected value is discounted back to the grant date using the risk-free rate, resulting in the fair value at the grant date being Zip's share price at the grant date. The weighted average fair value at the grant date of the rights under the NED Equity Plan is $0.32. Each right under the NED Equity Plan ends 15 years after the grant date, and if not exercised before the end of the Term the rights under the NED Equity Plan will lapse.

Notes to the Consolidated Financial Statements continued

Share Options Issued on Acquisition of QuadPay

Replacement awards were issued to employees and other option holders of QuadPay on the acquisition of QuadPay. The outstanding share options in QuadPay were replaced by options in Zip. There were 10,480,369 replacement options issued to employees and non-employees. No amounts were paid or payable by the recipient on receipt of the option. The options carry neither right's to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

Each option expires on the earlier of:

- The expiry dates of the options which varies between 28 May 2028 and 28 May 2030; and
- The date on which the options otherwise lapse in accordance with the terms of the Award Agreement between the Company and the relevant QuadPay option holder, and the terms of the QuadPay option Plan.

Details of Employee Share Options outstanding during the year are as follows:

	Weighted Average Exercise Price $	Number of Options
Balance at 30 June 2022		**960,262**
Granted during the year	$0.16	(225,090)
Exercised during the year	$0.31	(114,933)
Lapsed during the year	$0.45	(118,077)
Balance at 30 June 2023		**502,162**
Exercised during the year	$1.07	(278,836)
Forfeited during the year	$0.33	(6,873)
Expired during the year	$0.49	(59,788)
Balance at 30 June 2024		**156,665**

Note 28. Subsequent Events

Zip announced on 17th July 2024 it would raise up to $267.0 million through the issuance of ordinary equity to fund an early repayment of its corporate debt facility and the associated exit fee. The equity raise involved a fully underwritten institutional share placement of $217.0 million before costs, plus a non-underwritten retail share purchase plan (SPP) offer, seeking up to an additional $50.0 million. The final issue price for the institutional placement was determined via a bookbuild process and priced at A$1.56 per share, representing a 2.8% discount to the last traded price of Zip's shares on the ASX on Tuesday, 16 July 2024 and a 2.6% premium to the underwritten floor price of A$1.52 per new share.

The retail share purchase plan closed on 19 August 2024 and raised $50.0 million. This was raised at the price of $1.56 in accordance with the offer documents, which was at the lower of the institutional placement price of $1.56 or the 5-day VWAP leading up to the offer close.

Consolidated Entity Disclosure Statement

As at 30 June 2024

Consolidated Entity Disclosure Statement

Set out below is relevant information relating to entities that are consolidated in the consolidated financial statements at the end of the financial year as required by the *Corporations Act 2001* (s.295(3A)(a)).

Name of Entity	Entity Type	Trustee, Partner or Participant in a JV	Country of Incorporation/ Formed	Percen-tage of Owner-ship %	Australian Resident/ Foreign Resident (Tax Purposes)	Foreign Tax Jurisdiction
Zip Co Limited*	Body Corporate	n/a	Australia	–	Australian	n/a
zipMoney Payments Pty Ltd	Body Corporate	n/a	Australia	100%	Australian	n/a
zipMoney Trust 2017-1	Trust	n/a	Australia	100%	Australian	n/a
Zip Master Trust	Trust	n/a	Australia	100%	Australian	n/a
zipMoney Holdings Pty Ltd	Body Corporate	n/a	Australia	100%	Australian	n/a
zipMoney Securities Ltd	Body Corporate	n/a	Australia	100%	Australian	n/a
Pocketbook Holdings Pty Ltd	Body Corporate	n/a	Australia	100%	Australian	n/a
Pocketbook Australia Pty Ltd	Body Corporate	n/a	Australia	100%	Australian	n/a
Pocketbook Technologies Pty Ltd	Body Corporate	n/a	Australia	100%	Australian	n/a
Zip Domestic Holdings Pty Limit	Body Corporate	n/a	Australia	100%	Australian	n/a
Zip International Holdings Pty Limited	Body Corporate	n/a	Australia	100%	Australian	n/a
Zip International India Pty Ltd	Body Corporate	n/a	Australia	100%	Australian	n/a
Zip Business Australia Pty Ltd	Body Corporate	n/a	Australia	100%	Australian	n/a
Funding Box 3 (Australia) Pty L	Body Corporate	n/a	Australia	100%	Australian	n/a
Zip Business Trust 2022-1	Trust	n/a	Australia	100%	Australian	n/a
Urge Holdings Pty Ltd	Body Corporate	n/a	Australia	100%	Australian	n/a
Urge Technologies Pty Ltd	Body Corporate	n/a	Australia	100%	Australian	n/a
Shnap Pty Ltd	Body Corporate	n/a	Australia	100%	Australian	n/a
Zip Business New Zealand Limited	Body Corporate	n/a	New Zealand	100%	Foreign	New Zealand
Funding Box NZ Limited	Body Corporate	n/a	New Zealand	100%	Foreign	New Zealand

Consolidated Entity Disclosure Statement continued

Name of Entity	Entity Type	Trustee, Partner or Participant in a JV	Country of Incorporation/ Formed	Percentage of Ownership %	Australian Resident/ Foreign Resident (Tax Purposes)	Foreign Tax Jurisdiction
zipMoney Payments (NZ) Limited	Body Corporate	n/a	New Zealand	100%	Foreign	New Zealand
Zip Co NZ Limited	Body Corporate	n/a	New Zealand	100%	Foreign	New Zealand
Zip Co NZ Finance Limited	Body Corporate	n/a	New Zealand	100%	Foreign	New Zealand
Zip NZ Trust 2021-1	Trust	n/a	New Zealand	100%	Foreign	New Zealand
Zip Co Payments UK Limited	Body Corporate	n/a	United Kingdom	100%	Foreign	United Kingdom
Zip Co UK Finance Limited	Body Corporate	n/a	United Kingdom	100%	Foreign	United Kingdom
Zip UK Holdings LTD	Body Corporate	n/a	United Kingdom	100%	Foreign	United Kingdom
Zip Co US Inc.	Body Corporate	n/a	United States	100%	Foreign	United States
QuadPay AR1 LLC	Body Corporate	n/a	United States	100%	Foreign	United States
AR2 Holdco LLC	Body Corporate	n/a	United States	100%	Foreign	United States
AR2 LLC	Body Corporate	n/a	United States	100%	Foreign	United States
AR3 HOLDCO LLC	Body Corporate	n/a	United States	100%	Foreign	United States
AR3 LLC	Body Corporate	n/a	United States	100%	Foreign	United States
Miyagi Intermediate Sub, LLC	Body Corporate	n/a	United States	100%	Foreign	United States
Miyagi Merger Sub, INC,	Body Corporate	n/a	United States	100%	Foreign	United States
Zip Co Canada Holdings Inc.	Body Corporate	n/a	United States	100%	Foreign	United States
Zip Co Payments Canada ULC	Body Corporate	n/a	Canada	100%	Foreign	Canada
Zip Co Payments Mexico, S.A. de	Body Corporate	n/a	Mexico	100%	Foreign	Mexico

* Entities listed here are those that are part of the consolidated entity at the end of the financial year. Entities disposed of during the year, or where the entity has lost control by the reporting date, are not included here. This means that entities listed could be different to the 'Interests in subsidiaries' note contained in the notes to the financial statements.

Consolidated Entity Disclosure Statement continued

Consolidated Entity Disclosure Statement – Basis of Preparation

Basis of Preparation

This Consolidated Entity Disclosure Statement (CEDS) has been prepared in accordance with the *Corporations Act 2001* and includes required information for each entity that was part of the consolidated entity as at the end of the financial year.

Determination of Tax Residency

Section 295 (3A) of the *Corporations Act 2001* defines tax residency as having the meaning in the *Income Tax Assessment Act 1997*. The determination of tax residency involves judgment as there are currently several different interpretations that could be adopted, and which could give rise to a different conclusion on residency.

In determining tax residency, the consolidated entity has applied the following interpretations:

Australian Tax Residency

The consolidated entity has applied current legislation and judicial precedent, including having regard to the Tax Commissioner's public guidance.

Foreign Tax Residency

Where necessary, the consolidated entity has used independent tax advisers in foreign jurisdictions to assist in its determination of tax residency to ensure applicable foreign tax legislation has been complied with.

Additional disclosures on the tax status of partnerships and trusts have been provided where relevant.

Directors' Declaration

30 June 2024

In the Directors' opinion:

- the attached 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 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 financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2024 and of its performance for the financial period ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- the information disclosed in the attached consolidated entity disclosure statement is true and correct.

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

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors

Cynthia Scott
Managing Director & Group Chief Executive Officer

27 August 2024

Independent Auditor's Report

to the members of Zip Co Limited

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Independent Auditor's Report to the Members of Zip Co Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Zip Co Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information, the directors' declaration and the consolidated entity disclosure statement.

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

- Giving a true and fair view of the Group's financial position as at 30 June 2024 and of its financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & 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 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 report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Expected credit loss provisioning. As at 30 June 2024, the carrying value of Customer receivables recorded was $2,398.5m, which included a provision for expected credit losses (ECL) of $142.2m as disclosed in Note 10. The Group's models to measure the 'expected credit losses', that meet the measurement objective of AASB 9 *Financial Instruments* (AASB 9), involve the use of significant judgements and assumptions to: • Classify credit instruments into three credit risk buckets based on assessment of increases in credit risk and objective evidence of impairment or write off, using historical roll rates; • Determine the probability of default, exposure at default, loss given default and lifetime expected credit losses based on historical data adjusted for current economic conditions and forward-looking information; and • Formulate and incorporate multiple forward looking macroeconomic and regulatory scenarios in the model risk overlay. We consider this to be a key audit matter due to the significance of the Customer receivables balance to the consolidated financial statements, the level of judgement and subjectivity in the selection and application of the key assumptions and estimates used to determine expected credit losses, and the volume and complexity of data sets and provisioning models used to perform the calculations.	Our procedures were performed in conjunction with our credit risk specialists and included, but were not limited to: • Obtaining an understanding of the source of data inputs, the methodology used, and credit estimates and judgements made by management in the provisioning models; • Understanding the key controls relating to the customer loan approval, collection, identification of overdue amounts, transaction data, impairment assumptions, judgement and modelling processes and calculations; • Agreeing a sample of data inputs into the provisioning models used to calculate the probability of default, exposure at default, loss given default and lifetime expected loss, to the relevant source documentation and historical loan portfolio performance and recovery records; • Assessing the provisioning methodology with reference to relevant Australian Accounting Standards; • Testing the mathematical accuracy of the models; • Considering the reasonableness of management's key assumptions used in determining probability of default, exposure at default, loss given default and lifetime expected loss; • Developing an independent estimate of the provision and comparing it to management's model; • Considering the reasonableness of judgemental overlays in response to the current and forward looking, regulatory, model risk and macroeconomic factors and environment; and • Assessing the adequacy of the disclosures in Note 1 (f), Note 10 and Note 20 to the financial statements.
Senior convertible notes On 8 June 2023, the Group launched a liability management exercise on its outstanding senior convertible notes. The exercise included an incentivised conversion and a consent solicitation to amend the terms and conditions of the pre-existing senior convertible notes. The consent solicitation was approved at the Extraordinary General Meeting on 31 July 2023 and subsequently settled, reducing the face value of the pre-existing notes from $330.0 million to $137.8 million. In accordance with AASB 9 *Financial Instruments*, the amended terms were accounted for as a substantial modification to the pre-existing senior convertible	Our procedures were performed in conjunction with our accounting technical, valuation and tax specialists and included, but were not limited to: • Obtaining an understanding of the nature and terms of the senior convertible note consent solicitation; • Reviewing management's accounting position papers and evaluating the external accounting assessment performed by management's accounting expert; • Assessing the competence and capabilities of management's accounting expert; • Assessing management's proposed accounting treatment of the consent solicitation for compliance with the relevant Australian Accounting Standards;

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notes, which resulted in the derecognition of the original financial liability of $279.6 million and the recognition of a new financial instrument representing the amended notes. The amended notes consisted of a debt contract classified as a financial liability measured at amortised cost of $65.1 million and a separate $71.2 million conversion feature classified as equity in accordance with AASB 132 *Financial Instruments: Presentation*. The investor put option was not separated and is accounted for as part of the debt host contract. A gain of $139.7 million (net of transaction costs) was recognised in respect of the consent solicitation. By 30 June 2024, all remaining notes had been converted ($137.8 million). As a result, Zip reported a financial liability of $nil. The equity component of $163.8 million (net of deferred tax of $21.8 million) arising on the recognition of the convertible notes remains in equity. We consider this to be a key audit matter as accounting for the impact of the senior convertible note liability management exercise is an area of significant accounting complexity and judgement.	• Assessing the appropriateness of the tax treatment of the liability management exercise; • Assessing the appropriate accounting treatment for the related tax consequences; • Reviewing the appropriateness of management's valuation methodology and calculations; • Performing a sensitivity analysis to assess the reasonableness of management's conclusions; and • Assessing the adequacy of the disclosures in Note 1 (k) and Note 5 to the financial statements.
IT systems The Group's operations and financial reporting processes are heavily dependent on IT systems for the processing and recording of a significant volume of transactions. We consider the operation of financial reporting IT systems and controls to be a key audit matter.	Our procedures were performed in conjunction with our IT specialists. They included, but were not limited to: • Developing an understanding of the IT systems, IT application controls and IT dependent manual controls that were integral to the lending and financial reporting processes; • Understanding and evaluating the design and implementation of the relevant controls; and • Where we identified control matters relating to IT systems relevant to our audit, we obtained an understanding of alternative manual controls and varied the nature, timing and extent of our substantive procedures.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed,

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we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible:

- For the preparation of the financial report in accordance with the Corporations Act 2001, including giving a true and fair view of the financial position and performance of the Group in accordance with Australian Accounting Standards; and
- For such internal control as the directors determine is necessary to enable the preparation of the financial report in accordance with the Corporations Act 2001, including giving a true and fair view of the financial position and performance of the Group, and that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

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

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 18 to 50 of the Directors' Report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of Zip Co Limited, for the year ended 30 June 2024, complies with section 300A of the Corporations Act 2001.

Responsibilities

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jason Thorne
Partner
Chartered Accountants
Sydney, 27 August 2024

Corporate Directory

Directors

Diane Smith-Gander AO (Chair)

Cynthia Scott (Group CEO & Managing Director)

Larry Diamond (US Chairman)

Meredith Scott (Non-Executive Director)

John Batistich (Non-Executive Director)

Kevin Moss (Non-Executive Director)

Company Secretary

Sarah Brown

Registered Office

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Sydney NSW 2000

Website: www.zip.co

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 11, 172 St Georges Terrace
Perth WA 6000

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.
Americas	The geographic regions comprising the United States of America and Canada.
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 amortization of funding costs.
Cash Gross Profit	Revenue 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.
LTVR	Long-Term Variable Reward.
NED	Non-Executive Director.

Glossary continued

NTM	Net Transaction Margin.
Revenue Margin	For any given period, a percentage representing revenue 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 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.
US	United States of America.
ZIPNEP	Zip NED Equity Plan.

Non-IFRS Information

Non-IFRS financial information included in Zip's Financial Report, for the year ended 30 June 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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