Annual Report 2019

Zip Co Ltd (ASX: Z1P)

OUR PURPOSE

The freedom to own it.

OUR MISSION

To be the first payment choice everywhere and every day.

Contents

Zip is building a global business with a mission to be the first payment choice everywhere and every day.

Every day we create, build, and grow. New markets, new products, new partnerships. It's what we do, here's how we deliver.

We focus on five growth drivers:

1. **CUSTOMERS** Connect with customers everywhere and every day, building on our 1.3 million Zip users in Australia with new growth in international markets.

2. **RETAILERS** Help our retail partners grow by offering an instalment solution at checkout. Embed ourselves into every layer of the payments ecosystem.

3. **PEOPLE** Invest in our people. Encourage a growth mindset, customer-obsessed, with a passion for product.

4. **PRODUCT INNOVATION** Develop a culture of experimentation, fast delivery, user research to challenge the status quo and meet the ever changing needs of customers.

5. **ETHICS AND TRANSPARENCY** A payment solution that is fair and transparent, empowering customers to use Zip with confidence.

$1.1B
Transaction Volume[2]

108%
Growth YoY[1]

$84M
Revenue[1]

1.3M
Active Customers[3]

6x
Consecutive quarters of positive EBTDA

1. FY19 revenue and growth year on year
2. FY19 aggregate transaction volume
3. Active customer accounts

More customers, more locations, more often.

The key to our success is the happiness of our customers.

Customers choose Zip as the better, fairer, digital alternative to the credit card. Not just a payment method, Zip is a digital wallet positioned to support a user's everyday spending and be their first payment choice everywhere.

Engagement is continually increasing as the Zip value proposition drives more transactions, more often:

- A simple-to-use app with compelling personalised offers from major brands
- An interest-free buy now, pay later solution with faster payback
- A frictionless experience with real-time approval, instant checkout and flexible repayments

This is why people from all generations and predominantly millennials and Gen Xers, choose Zip. Speed, convenience and trust are universal drivers of loyalty with 1.3 million customers nationwide. With Australian customers proving the Zip proposition, customers in New Zealand, and the UK will soon be able to experience Zip for themselves.

↑ **80%** Growth YoY[1]

↑ **97%** Retention rate[2]

BY AGE

Median age 34

60% Under 35

ONLINE VS INSTORE[3]

Instore is growing

68% Online

32% Instore

BY GENDER[4]

19% growth in males

63% Female

37% Male

4.9 Apple App Store Rating[5]

4.8 Google Play Store Rating[5]

1. 2019 year on year growth
2. Retention rate calculated as total account numbers less customer churn for FY19
3. Based on the total number of transactions (June 2019)
4. Based on the number of active customer accounts
5. App store ratings and reviews as at 30 June 2019

"..gives the user options to buy now, pay later, pay bills while letting you control how much and how often you want to pay...it's my number one choice when it comes to payment options.."

– Ricah

So glad not to be paying stupid and excessive interest rates. Have paid out and cancelled my credit card...
5 star all the way, love it!

– Scott

We're passionate about our retailers.

Every day, we help more businesses partner with Zip as customer demand grows.

16K+ Partners

53% growth in partners[1]

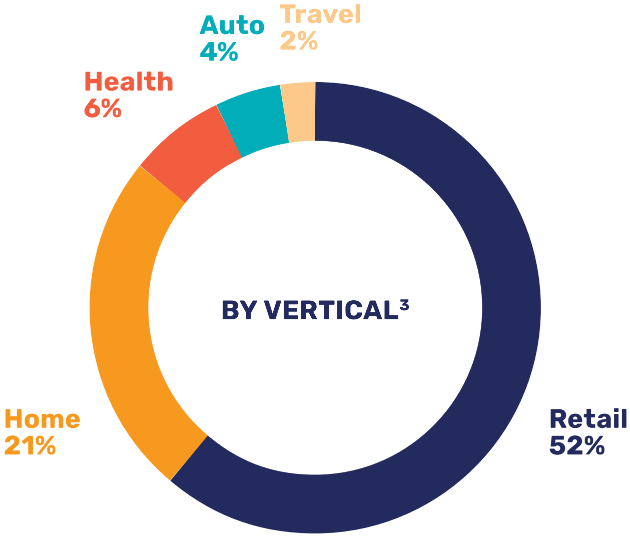
$217 average order value[2]

We count many of Australia's biggest retailers as our clients. Known high-street brands such as Target, Bunnings, Chemist Warehouse, Just Group and Kmart choose to partner with Zip as a trusted alternative payment method. Merchants use Zip to grow their business and build relationships with their customers.

An increasing number of integration partners such as Adyen, BigCommerce and Tyro deepen Zip's presence in the payment ecosystem. Each integration partner accelerates acceptance, unlocking new and increased value.

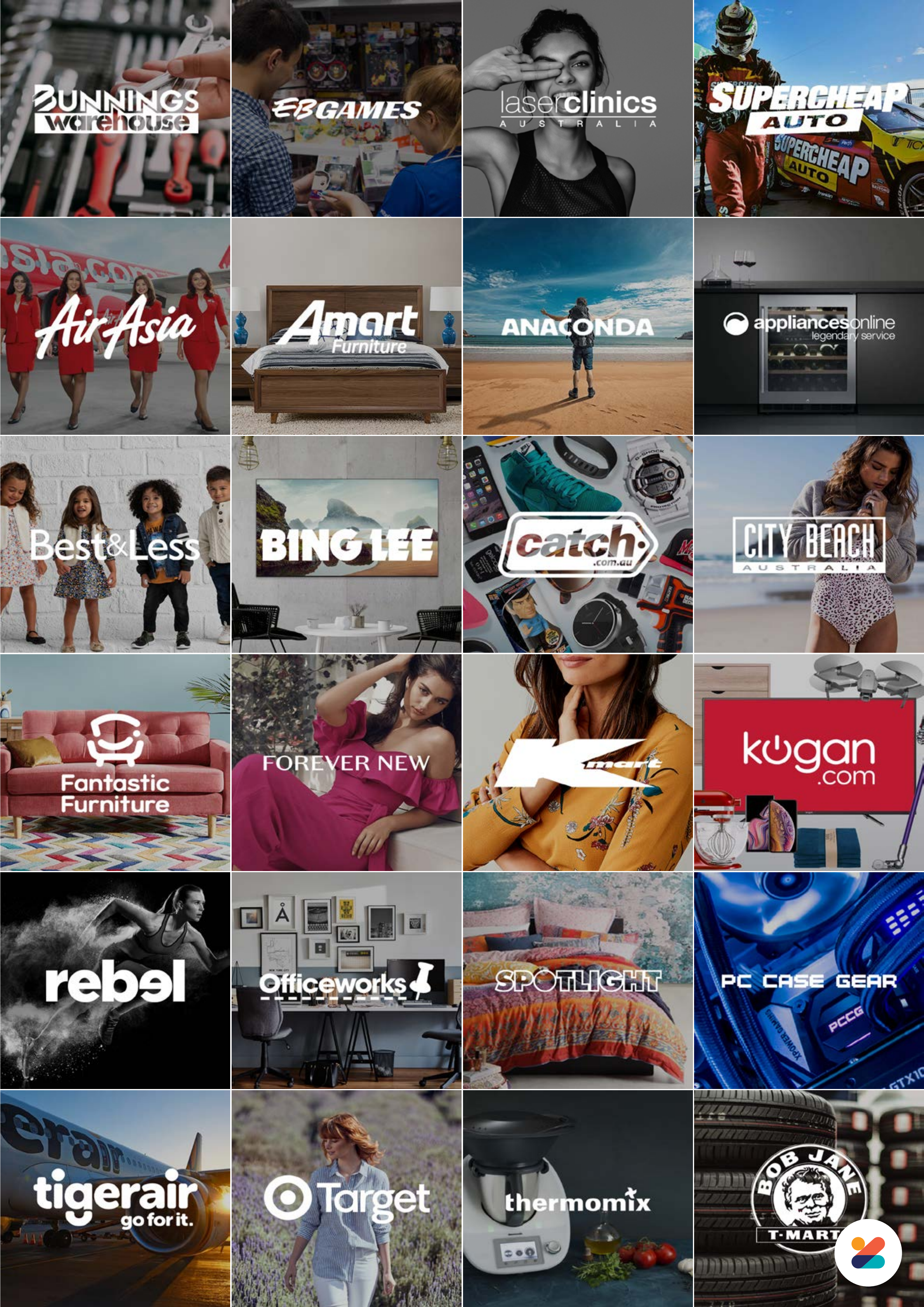
Zip's product offering is proven in the market. To accelerate growth, our core focus is to rapidly increase the number of merchants using Zip to position us as a credible first choice of payment, more often.

Over 16,000 retailers trust Zip including some of Australia's biggest retailers and category leaders. As Zip develops more integration and channel partners, we become further embedded into every layer of the payments ecosystem to drive more merchants, more customers and more transactions.



> "Zip is embedding itself in every part of the payments ecosystem. Each integration partner accelerates acceptance, unlocking new and increased value.

1. Partner growth in numbers year on year
2. Average order value calculated in June 2019
3. Chart illustrative of Zip's key segments based on transaction value to June 2019



BUNNINGS warehouse
EB GAMES
laserclinics AUSTRALIA
SUPERCHEAP AUTO
AirAsia
Amart Furniture
ANACONDA
appliancesonline legendary service
Best&Less
BING LEE
catch.com.au
CITY BEACH AUSTRALIA
Fantastic Furniture
FOREVER NEW
Kmart
kogan.com
rebel
Officeworks
SPOTLIGHT
PC CASE GEAR
tigerair go for it.
Target
thermomix
BOB JANE T-MARTS

Passionate people, extraordinary results.

Our Zipsters have the ability, drive and ambition to take on the global market.

At Zip we are a collective of talented and passionate humans who are driven by the desire to create the best payment experience for our customers. Zip is a dynamic and fast-growing company built on a strong culture of accountability, teamwork and innovation. This is underpinned by ethical standards, transparency and integrity.

Zip has successfully grown from a fintech startup to supporting some of Australia's biggest retailers. To successfully expand our footprint globally we are committed to continued investment in our people, culture and workplace ensuring Zip is a natural home for the best talent in the industry.

Our Zipsters underpin everything we do.

Our culture of collaboration and connectedness, together with empowering each individual's curiosity to innovate, continually challenges the status quo. This enables Zip to continue to evolve our customer experience and positions us to win.

Innovation is what we do.

We never stop discovering, because we never stop looking.

Product innovation has been at the heart of Zip's growth over the last 6 years. Customers are increasingly demanding more choice and more convenience. Zip retains a laser focus on the innovation of its payment ecosystem to meet the ever-changing needs of customers.

The ability to pay bills, buy and send gift cards, personalisation of offers through the Zip app are all innovative features that have successfully driven growth and loyalty.

Customer feedback and user research informs our innovation roadmap. A culture of experimentation, validated learning and continuous improvement drives the ongoing development of our solutions.

Our core initiatives for FY20 are:

- Best-in-class user experience: Continued improvements in onboarding and in-store experience to increase engagement.
- Improved performance using data science and machine learning: Help merchants understand their customers and provide new marketing opportunities for repeat transactions.

To deliver these improvements, agile, cross functional squads covering all parts of the user journey interrogate performance. Investing in underlying technology such as microservices architecture supports rapid deployment to put these improvements into the hands of our customers quickly.

Connecting customers and retailers together through an enriched payments experience.

EXPERIENCE

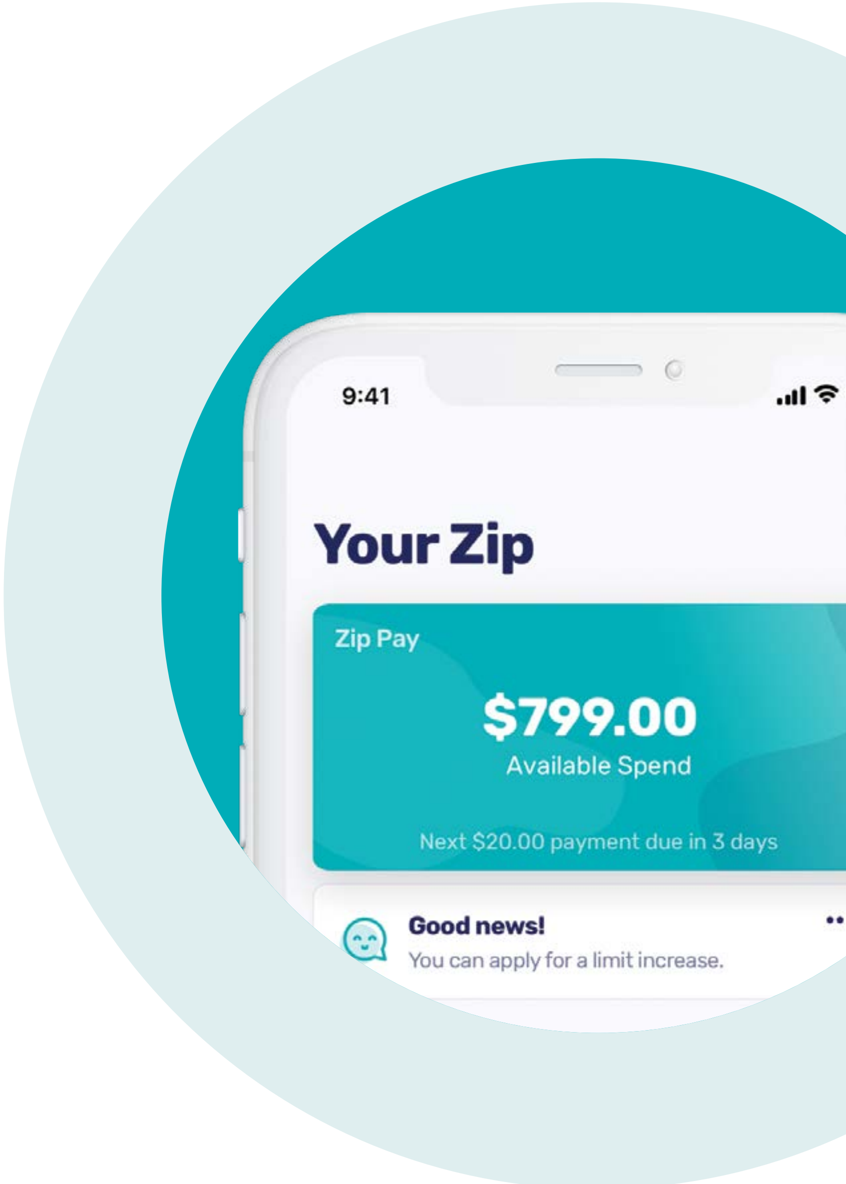
- Real-time approval
- Frictionless checkout
- QR, NFC, NPP, Tap
- Flexible repayments

PLATFORM

- Proprietary decisioning
- ID & credit verification
- Unified commerce
- Closed loop network

DATA

- Personalisation
- SKU data
- Behavioural
- Fraud Prevention



Responsibility is in our DNA.

Our market leading capabilities set us apart.

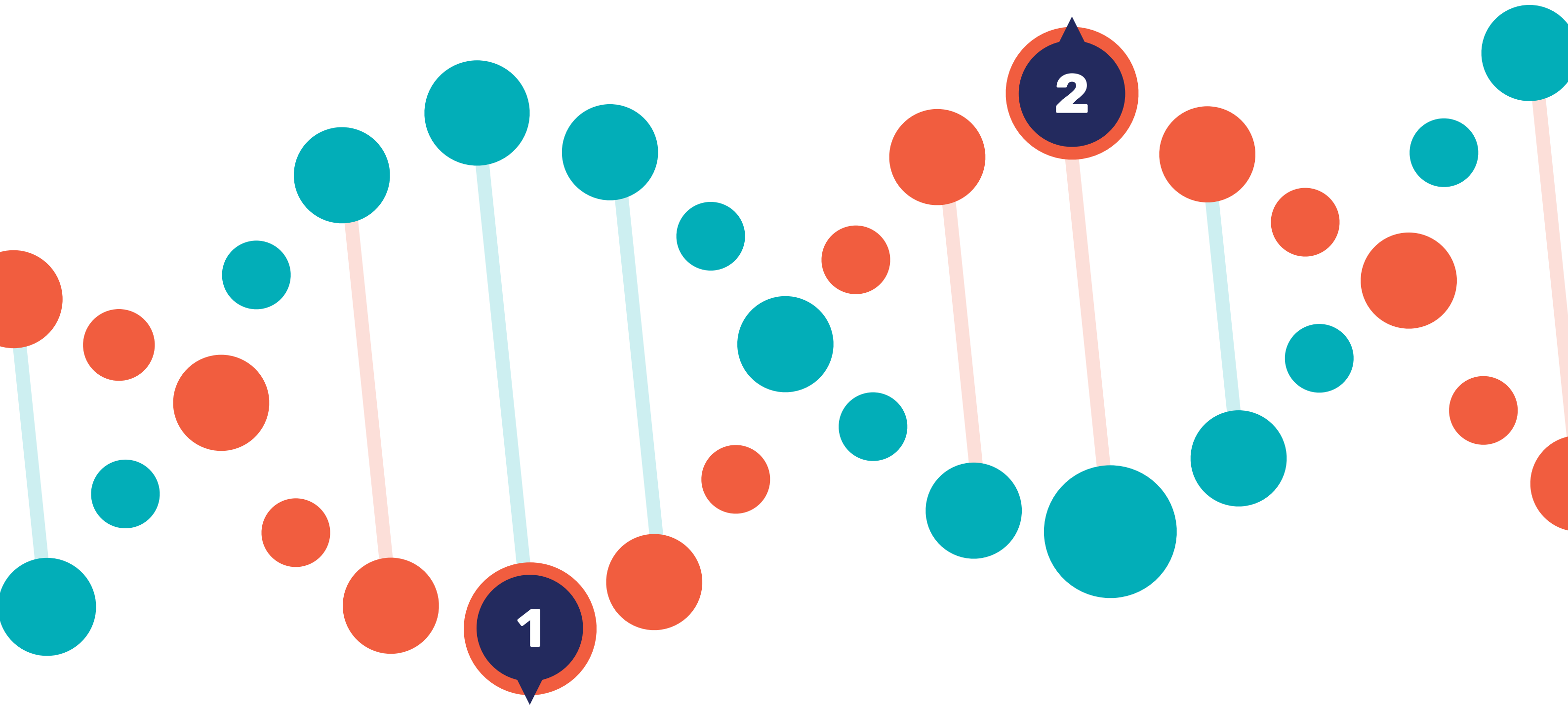
Zip prides itself on providing fair and transparent financial products, aligned to its core values. We have conducted ID and credit checks since inception and read real-time bank transactional data. Zip has led the regulatory conversations to improve standards and consumer protections across the sector.

Unique credit decisioning technology and processes delivers industry leading bad debt performance and ensures less than 1% of revenues are derived from late fees.

The average credit score for Zip customers is higher than for Big 4 bank credit card applicants. Additional data sources, refined risk rules and sophisticated machine learning models, ensure Zip is well placed to continuously refine and improve its credit decisioning.

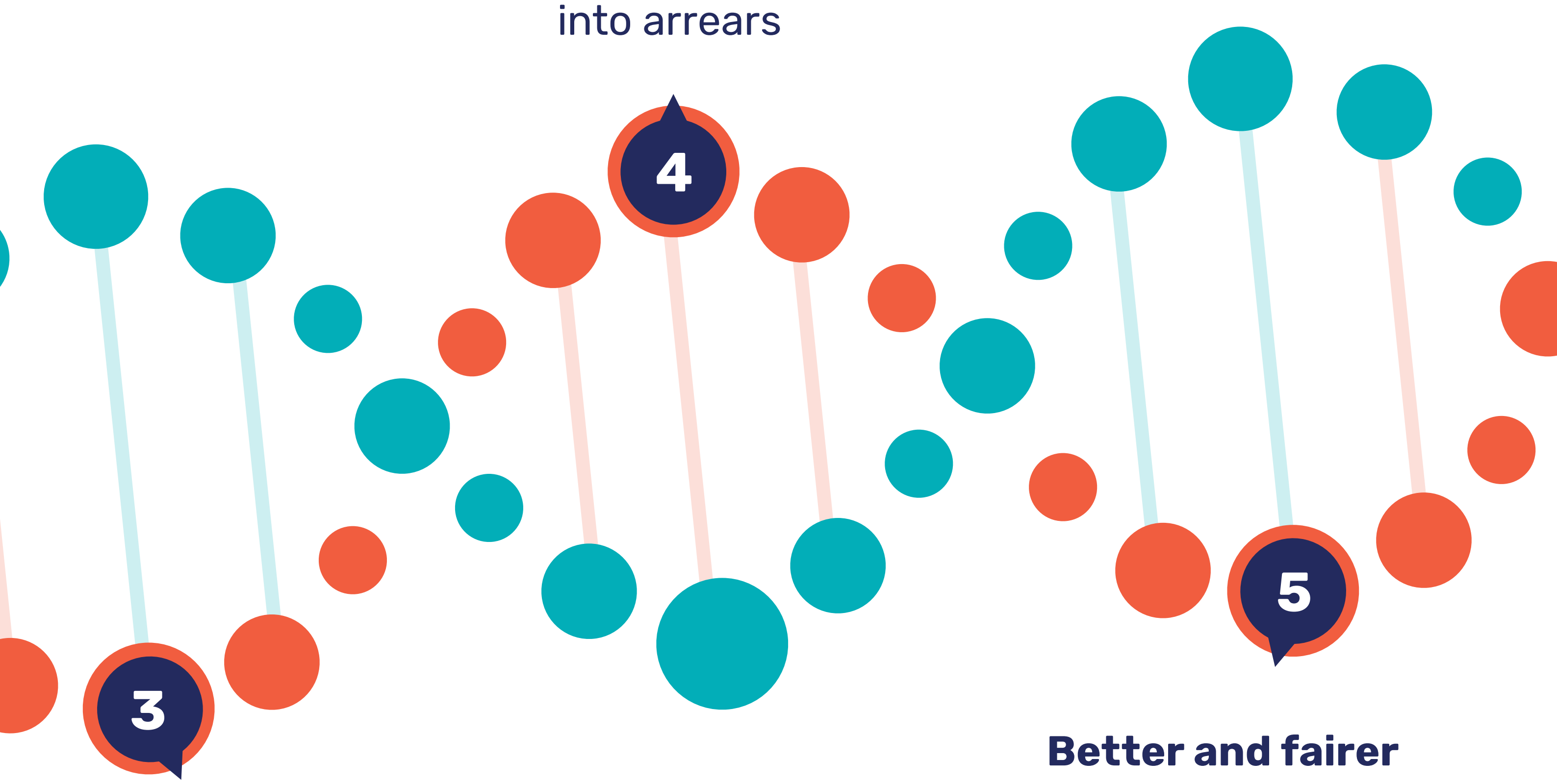
The performance of Zip's receivables demonstrates its ability to effectively grow its loan book whilst minimising losses, and this positions us for rapid growth that is responsible, ethical and transparent.

Flexible and affordable repayments, **simple and transparent** fees



Interest free solutions

A revenue model that **does not rely** on customers falling into arrears



External credit and ID checks on all applications from inception

Better and fairer alternative to credit cards + financial management tools

CEO & Chairman's Report

> "The commitment of all our Zipsters is what makes Zip an exceptional company with a great future.

Dear fellow shareholders,

It is our pleasure to report to you on this transformational year of FY2019. We are building a global business and over the past year Zip, again, advanced its mission to be the first payment choice everywhere and every day. Our progress is evident in the strengthening of our competitive position across every metric:

- **CUSTOMERS:** Grew to over 1.3 million (up 80% on FY18).
- **TRANSACTION VOLUME:** Outstanding growth passing $1.1 billion (up 108% on FY18).
- **RETAILERS:** Over 16,000 retail partners including some of Australia's biggest brands and category leaders, providing over 37,000 locations where Zip is accepted as a payment method.
- **NATIVE APP:** Close to 1 million downloads in the 12 months since launch and remains a top 10 app in the Apple and Google Stores.
- **PAYMENT PARTNERSHIPS:** An increasing number of strategic partnerships with key payments ecosystem players including Tyro, Adyen and BigCommerce rapidly progressing our mission to be "everywhere".
- **EQUITY AND DEBT FUNDING:** Our oversubscribed $57 million capital raise strengthens our balance sheet and positions us to execute on our growth plan. Early investor, Westpac chose to exercise its $8.9 million top-up right in full, a strong indicator that we are on track. We recently closed a $500 million landmark debt funding deal, taking total funds available to power growth to over $1 billion.
- **FINANCIAL PERFORMANCE:** Cashflow positive for each quarter of the FY19 financial year, with $84.2 million in total revenues (up 108% on FY18).

We are proven to operate at scale and are now at the tipping point. The market for alternative payments is vast and growing. We are on a mission to have every Australian use Zip everywhere and every day.

Fuelling the ambitions of the Zip Community

Though we have built our brand as the trusted alternative to credit cards, it is our intellectual property and direct-to-customer apps that increase the engagement of the Zip community comprised of 1.3 million customers and over 16,000 retail partners. Zip is responding to the market with a clear proposition to both sides of the network:

- **CUSTOMERS:** Zip is a customer's financial partner. With Zip we help people transact with their favourite merchants. With Pocketbook we help them manage their finances. This gives everyone the freedom to buy what they want, the freedom to own their experience
- **MERCHANTS:** Zip is a merchant's marketing partner. Not only do we provide an interest-free payment alternative, but we are proven to convert browsers into shoppers both online and in-store. Our rapidly growing customer base gives us the best datasets for demographics, products and spending across every category. These insights create new actionable marketing opportunities for our partners

Zip removes barriers to buying, giving people more freedom and flexibility. Our platform is proven to reach the right people with the right message to get them to transact more, more often. Driving sales growth and customer acquisition are key reasons major brands such as Target, Bunnings, Chemist Warehouse, Just Group and Kmart choose us as their credit card alternative, and why small merchants need Zip. We live where customers shop every day.

CEO & Chairman's Report cont

Capitalising on our Foundation

Each month, we successfully attract many new customers to the platform, because our products, Zip and Pocketbook, make a meaningful difference to the daily lives of many. It is from this base that we can capture a larger share of transactions and a deeper connection with our users. Zip has a number of assets, that collectively, provide an ongoing strategic advantage:

- **BROADENING THE CUSTOMER BASE:** Millennials are the biggest adopters of our interest free instalments, next comes GenX. The same factors that appeal to this group – speed, convenience and trust – are universal drivers that give us a competitive advantage and why people from 18 to 80 now choose Zip for their payments.
- **INCREASED AVAILABILITY THROUGH POINTS-OF-PRESENCE:** We help retailers of any size. From visiting a local mechanic or going to any of the major brands and category leaders that now use Zip as their preferred credit card alternative, customers can always use Zip. This positions us as a credible preferred choice of payment.
- **INTEGRATED OMNI-CHANNEL EXPERIENCE:** We enable retailers to engage with customers wherever they are, and provide a payment solution whether online (approximately 60% of volume) or instore (40%).
- **DIGITAL-MARKETING FOCUSED:** Retailers look to Zip to drive new customer traffic, larger baskets and higher conversions. Companies lean on Zip to create closer connections between their brand and the customer. We've proven that we can offer this personalised experience at scale through our native app and digital real estate, including our shop directory.
- **PAYMENTS ECOSYSTEM:** With an increasing number of channel partnerships such as Adyen and Tyro we deepen our presence in the payments ecosystem. Each integration partner accelerates acceptance unlocking new value and spreading our wings.
- **PERFORMANCE THROUGH DATA SCIENCE:** Being part of every transaction builds a rapidly growing data set. We continue to invest in our data science capabilities to help our clients understand their customers better and deliver more value, more often.
- **PRUDENT CREDIT PRODUCTS:** The quality of our loan book is maintained at scale with low bad debts. Our diligence of customers upfront supported by our real-time proprietary credit and fraud decision technology delivers industry leading loss rates, and ensures our products are sustainable.

Making Zip a Global Company

Everyone at Zip has their focus firmly fixed on the future. Our priority in FY20 is accelerating the growth strategy in the following focus areas:

- **FINANCIAL TARGETS:** More people, more places, more often. Targeting 2.5 million customers, delivering $2.2 billion in annualised transaction volumes.
- **LOCAL EXPANSION:** Launch Zip Biz an instalment product for SMEs, grow Spotcap, secure more strategic deals with partners and enter everyday spend categories.
- **GLOBAL EXPANSION:** Integrate PartPay, grow market share in New Zealand and fast track our launch in the UK.
- **TECHNOLOGY AND MARKETING:** Accelerate our investment in core IP, maximise the in-store opportunity, increase investment in brand awareness, customer acquisition and partner marketing.
- **POCKETBOOK:** Expand capability to make it the number one choice for personal finance management, with a view to monetise.

Investors that joined us this year have experienced a rapid rise in share value. Investors that have been with us since our listing have seen us grow from a fintech startup to a company knocking on the door of the ASX200. For both groups, we can assure you that this marks only the beginning of our journey.

As we continue to grow, everyone at Zip is committed to ensuring that our business is conducted to the highest standards. The Company will look to grow the Board to provide the corporate governance fitting of a global company. This, together with strong management creates a positive culture for shareholders, employees and customers.

Zip is proactive in optimising its management mix to ensure the right personnel are in place to execute on the rollout of its growth strategy and entry to new international markets. This expertise contributes to increasing revenue, margins and productivity. The commitment of all our Zipsters is what makes Zip an exceptional company with a great future as we embark on our mission to become the first payment choice, everywhere and every day.

PHILIP CRUTCHFIELD
Chairman

LARRY DIAMOND
Managing Director & CEO

FY19 Key Metrics

↑ 108%

$84.2M
Revenue

FY18 $40.4M

↑ 80%

$1.3M
Customers

FY18 0.7M

↑ 108%

$1,128.5M
Transaction Volume

FY18 $542.9M

↑ 116%

$682.6M
Receivables

FY18 $316.7M

↑ 53%

16.2K
Retail Partners

FY18 10.6K

↓ 1%

1.63%
Net Bad Debts

FY18 2.61%

Capital Management

Credit Performance

As the number of customers onboarded increases exponentially, Zip has maintained its high credit standards.

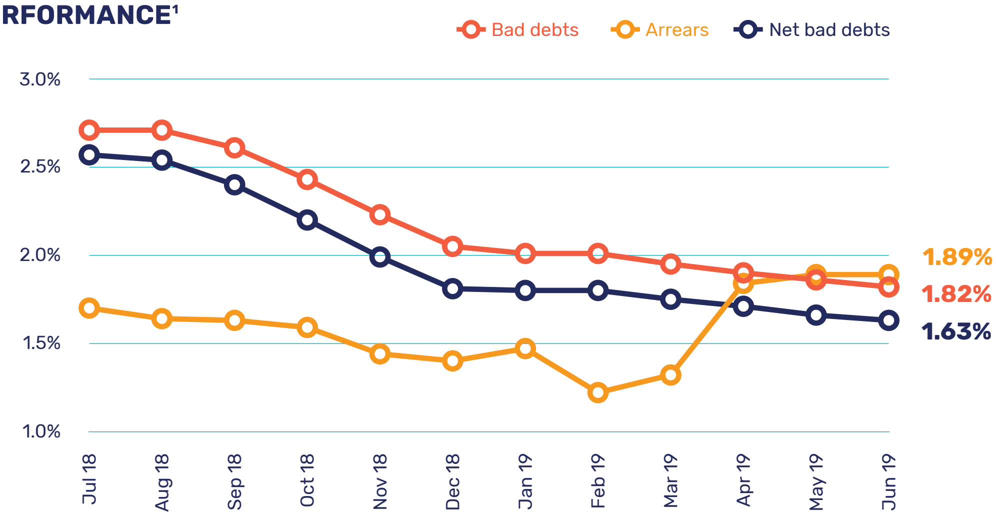
Credit performance is significantly better than industry benchmarks, and ahead of management's guidance. Zip's credit scoring and real-time decisioning is clearly working at scale with net bad debts of 1.63% down from 2.61% at June 2018, a significant improvement in 12 months on our already industry-leading high standards. Arrears remained stable at 1.89% compared to 1.87% at June 2018.

The repayment profile remains healthy at 13%-14%, with the book recycling approximately every 7-8 months. Our capital does not remain stagnant and as more customers use Zip we can continue to accommodate their spending needs.

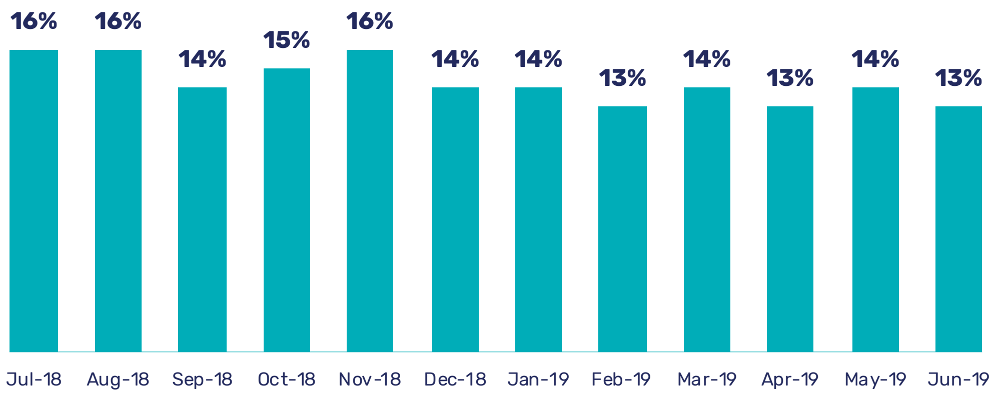
Funding

Zip raised $57 million in equity capital and recently closed a $500 million landmark debt funding deal for the new Zip Master Trust. Total facilities available to power growth now exceed $1 billion and the structure provides the flexibility to scale from here.

CREDIT PERFORMANCE[1]



REPAYMENT RATE[2]



1. Arrears defined as those accounts greater than 60 days delinquent. Bad debts defined as those accounts greater than 180 days delinquent. All figures are on an annualised basis.
2. Repayment expressed as a percentage of receivables at the beginning of the month.

Who we are

We are reimagining payments.

Our mission is to make Zip the first payment choice everywhere and every day. We give customers the freedom to own it: To own the product, the experience, the look and the moment.

Customers are increasingly disengaged with banks and credit card providers because they know the difference between a good deal and a bad one. They are in search for better and fairer alternatives in the market.

With Zip we help people transact with their favourite merchants as a trusted alternative to credit cards. With Pocketbook we help them manage their finances.

This gives everyone the tools to own their financial freedom.

What we do

Zip offers simple and convenient financial products, with a strong focus on financial wellbeing.

zip 1.3M users

CREDIT AND PAYMENTS

Interest Free Digital Wallet:

- Line of credit, reusable account
- For everyday spending and life's bigger buys
- Zip Pay for under $1,500. Zip Money for up to $50,000

Pocketbook 700K users

BUDGETING AND SAVING

Budget Planner and Personal Finance App:

- Free mobile app
- Automatically categorises spending
- Helps users manage savings and achieve goals

How we do it

Zip issues credit at the point-of-sale and processes payments, both instore and online, in a 'closed loop' network. This helps customers own the products they want and maximises sales for retailers.

Growth & Outlook

Our priority in FY20 is accelerating the growth strategy through four main focus areas.

We are just getting started.

1 FINANCIAL TARGETS

We are confident in our ability to drive growth, achieve our targets, and expand globally with a deliberate lift, shift and scale strategy. Our growth strategy is designed to attract more people, more places, more often.

FY20 Priorities

- 2.5 million customers with an active Zip account.
- $2.2 billion in annualised transaction volume.

2 LOCAL EXPANSION

With only 0.2% of the Australian retail market, we remain laser-focused on the Australian opportunity. We will continue to grow our network online and instore to accelerate acceptance and deepen customer engagement. Zip will look to increase its presence in travel, medical, telco and utilities to prove true credit card disruption. As well as growing its customer base, Zip will expand to SMEs offering instalments through Zip Biz.

FY20 Priorities

- Launch instalments for business (Zip Biz).
- Grow Spotcap.
- Secure more strategic deals with partners.
- Enter everyday spend categories and accelerate acceptance.

3 GLOBAL EXPANSION

Australia represents only 1% of the addressable global market. The global opportunity dwarfs the local region. BNPL is in its infancy in most territories with market share estimated at less than 1% in the US and UK. Many of Zip's partners have a global presence and desire a global solution. The recently announced PartPay acquisition gives Zip an immediate foothold into NZ, UK, US and South Africa.

FY20 Priorities

- Integrate PartPay, grow market share in NZ and fast track launch in the UK.
- Explore new market opportunities where strategic fit is strong.

4 TECHNOLOGY AND MARKETING

Zip is going global. This requires further investment into platform scalability to ensure millions more customers can transact with Zip wherever they are. Investment into brand visibility in target markets, and strategic growth through partners can drive rapid adoption globally.

FY20 priorities:

- Invest in brand awareness, customer acquisition and partner marketing.
- Invest in platform to deliver best in class availability, performance, connectivity.

1. Zip TTV for FY19 as a % of total Australian retail sales of $320B, 2. Total Australian sales, NAB Online Retail Sales Index (December 2018),
3. US Census 2019 (US), 4. Retail Economics UK (2018), 5. Nielsen Insights 2018 (NZ), 6. Dept of Statistics South Africa (2019)
7. Calculated using Zip TTV for FY19, 8. eMarketer Worldwide Retail eCommerce Sales. Source data from: NAB Online Retail Sales Index (December 2018)

Australia
Addressable Market[2]

zip = 0.2%[1]

$320b[7]

Global
Addressable Market

= 1%

$22t[8]

USA $5t[3]

UK $630b[4]

NZ $96b[5]

SA $67b[6]

Board of Directors

Philip Crutchfield
Chairman

Philip is a barrister and a former partner of Mallesons Stephen Jaques (now King & Wood Mallesons). He is a board member of the Geelong Grammar School Council, Bell Shakespeare Theatre Company, and the Victorian Bar Foundation Limited.

Larry Diamond
Managing Director & CEO

Larry co-founded Zip in 2013 following 12 years in retail, technology and investment banking at Pacific Brands, Macquarie Capital and Deutsche Bank. Larry is a qualified CA and holds a Bachelor of Information Technology and Master of Commerce (Finance) degrees.

Peter Gray
Executive Director & COO

Peter co-founded Zip in 2013, with 25 years of experience in the retail finance industry. He has underwritten 1.5m customers and $600m in loan receivables globally. An operations and consumer credit expert, Peter is also the responsible manager of Zip's Australian Credit Licence.

John Batistich
Non-Executive Director

John is a highly-experienced growth leader who brings marketing, digital and human resources skills to the Board. He is a Non-Executive Director for Foodco and HRI and advises the General Pants Group Board. He holds a Masters of Management and a Bachelor of Business.

Dianne Challenor
Non-Executive Director

Dianne is General Manager, Global Transaction Services at Westpac. Highly experienced in payments and transaction services, Dianne has also led regional and global teams for JP Morgan and Citibank. In 2018, she was named one of the "Most Influential Women in Payments" by PaymentsSource.

David Franks
Company Secretary

David is a Fellow of the Governance Institute of Australia, Fellow of the Financial Services Institute of Australasia and a CA with over 20 years' experience. He has been CFO, Company Secretary and /or Director for numerous ASX listed companies in a range of industries, including the Company Secretary of Top 200 ASX listed entities.

Financial Report

Contents

Directors' Report

The Directors are pleased to submit herewith the annual report of Zip Co Limited and its controlled entities (consolidated entity or the Group) for the financial year ended 30 June 2019. In order to comply with the provisions of the *Corporations Act 2001*, the Directors' report as follows:

DIRECTORS

The following persons were Directors of Zip Co Limited (Zip or the Company) during the whole of the financial year and up to the date of this report, unless otherwise stated:

- Philip Crutchfield
- Larry Diamond
- Peter Gray
- Dianne Challenor
- John Batistich (Appointed 3 September 2018)

PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity is offering point-of-sale credit and payment solutions to customers and providing a variety of integrated Retail Finance solutions to merchants across numerous industries, both online and in-store.

REVIEW AND RESULTS OF OPERATIONS

A summary of revenues and results for the period is set out below:

		30 JUNE 2019 $	30 JUNE 2018 $
Revenue from ordinary activities	Up 108%	84,231,132	40,406,686
Loss from ordinary activities after income tax attributable to members	Down 51%	(11,133,810)	(22,549,726)
Total comprehensive loss attributable to members	Down 51%	(11,133,810)	(22,549,726)

DIVIDENDS

No dividends have been declared for the year ended 30 June 2019 or for the previous corresponding period.

REVIEW OF OPERATIONS

Zip Co Limited is a leading player in the digital retail finance and payments industry. The Group provides point-of-sale credit and digital payment services across the retail, home, health and wellness, auto, travel and entertainment sectors, and is the owner of Pocketbook, a leading Personal Financial Management App. Pocketbook has over 700,000 users and helps them track their budget, and save, by automatically categorising spending (e.g. clothes, groceries, childcare) and providing smart alerts.

Zip offers customers an interest-free digital wallet and credit through its Zip Pay (up to $1,500) and Zip Money (up to $50,000) products. Zip generates revenue from both merchants (through a Merchant Services Fee) and customers (predominantly Monthly Fees, Establishment Fees and Interest).

Zip is now accessible by more than 1.3 million customers across more than 16,000 merchants in Australia and New Zealand. Customers simply sign-in to their Zip digital wallet, online or in-store, and authenticate the transaction to confirm the purchase – all without the exchange of cash or credit card information.

The Group saw significant growth in all operating metrics during the course of the financial year:

- Customer numbers increased by 80% to over 1.3 million
- Merchant numbers increased by 54% to over 16,000
- Transaction volumes increased by 108% to $1.1 billion
- Number of transactions processed increased by 154% to 4.8 million

Revenue more than doubled when compared to the previous financial year, increasing from $40.4million to $84.2 million, an increase of 108%. Gross profit increased 308% to $31.4 million from $7.7 million in the prior financial year, being 37% of revenue compared to 19% in the prior year. Operating costs grew from $31.3 million to $43.9 million, an increase of 40%. The Group continues to leverage its cost base with the increase in the cost base being significantly below the increase in revenue. Salaries and employee benefits, being the most significant operating cost, increased 31% as a consequence of the Group's permanent headcount increasing from 138 at the start of the financial year to 185 at the end, and an increase in casual staff to support its operations team from approximately 38, to 52, over the course of the financial year.

The Group reported a loss before income tax of $11.1 million compared to $22.5 million in the prior financial year. Of this, $6.8 million was recorded in the first half of the financial year and $4.3 million in the second half of the financial year.

Receivables

The Group's gross receivables portfolio increased to $682.6 million at 30 June 2019, up from $316.7 million at 30 June 2018, an increase of 116%. The monthly customer repayment rate ranged between 13-14% (of the opening receivables balance repaid each month) during the year, which equates to the book recycling approximately every 7-8 months.

Bad debt write-offs (net of recoveries) decreased from 2.61% at 30 June 2018, to 1.63% at 30 June 2019, well below management's expectations of 3%, and market comparisons. Excluding the impact of recoveries, bad debt write-offs fell from 2.70% at 30 June 2018 to 1.82% at 30 June 2019. The Group wrote off $10.8 million in bad debts during the financial year, as compared to $8.2 million in the prior financial year.

The provision for expected credit loss for customer receivables, calculated on an expected loss basis in accordance with AASB 9, reduced to 3.75% of closing gross customer receivables compared to 4.57% at 1 July 2018 as a result of an improvement in historic roll rates over the financial year.

The reported arrears rate (accounts over 60 days past due) stabilised at below 2% over the course of the year with the Group reporting 1.87% at the end of June 2018 and 1.89% at the end of June 2019.

Capital Management

Throughout the financial year the Group had two funding programs in place, the zipMoney Trust 2017-1 (total facility amount at 30 June 2019 totalled $560.0 million, drawn $530.0 million) and the zipMoney Trust 2017-2 (total facility amount at 30 June 2019 totalled $71.5 million, drawn $57.5 million). The facility available in the zipMoney Trust 2017-1 increased by $100 million in July 2019. The Group progressed the launch of the Zip Master Trust during the financial year and on 29 July 2019 mandated the National Australia Bank to arrange a series of ABS investor meetings for the establishment of the Trust. On 19 August 2019, NAB launched a transaction to secure $400.0 million in debt funding that was subsequently increased to $500.0 million. The transaction settled on 5 September 2019. And following settlement, the Group's total facilities available to fund receivables totalled $1,006.5 million.

In March 2019 the Group raised a total of $56.8 million ($54.5 million net of costs) in equity, with final settlement in April 2019. The capital raise comprised $47.9 million from new and existing retail, institutional, sophisticated and professional investors, and in addition Westpac exercised its top up right for an amount of $8.9 million.

Directors' Report

Continued

Cashflows

The Group generated an operating cash inflow of $22.6 million during the financial year compared to an inflow of $1.4 million in the previous financial year. This excludes the impact of bad debts written-off in the financial year of $10.8 million (2018: $8.2 million) shown in the net movement in receivables. Cash inflows from operations in the second half of the financial year were $15.0 million compared to $7.6 million in the first half of the financial year. Portfolio income from customers totalled $83.7 million for the financial year, a 111% increase from $39.6 million in the prior financial year, in line with the increase in revenue. In the previous financial year the Group received an R&D tax incentive, going forward any such incentives will be received by way of reduction in future tax payments. Payments to suppliers and employees totalled $39.0 million up from $26.4 million in the prior financial year. Interest payments on borrowings to fund the Group's receivables increased 69% from $13.2 million to $22.3 million.

Cashflow used in investing activities increased from $176.9 million in the prior financial year to $374.1 million in the financial year to 30 June 2019. The payments for plant and equipment includes the amount paid to acquire information technology and office equipment during the year, and has fallen from $3.5 million to $0.3 million, following the office move in the previous financial year. The Group spent $3.6 million in the financial year on product development, an increase of 44% on the prior financial year. The increase in customer loans, net of repayments and bad debts written-off totalled $370.2 million, compared to $170.9 million in the prior financial year.

Cash from financing activities totalled $351.4 million. Proceeds from the issue of shares in the capital raising and the conversion of options totalled $57.8 million, $55.5 million net of transaction costs. The Group incurred costs of $1.6 million to renew certain funding facilities and borrowed an additional $297.5 million to fund receivables in the financial year.

CHANGES IN THE STATE OF AFFAIRS

No significant changes in the state of affairs of the consolidated entity occurred during the financial year.

FUTURE DEVELOPMENTS

Information on future developments in the operations of the consolidated entity and the expected results of those operations has not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

POST BALANCE SHEET DATE EVENTS

In addition to the increase in the facilities in the zipMoney Trust 2017-1 and launch of the Zip Master Trust noted above, on 20 August 2019 the consolidated entity announced it had entered into an agreement, subject to shareholder approval, to acquire 100% of the share capital of PartPay Limited a New Zealand based Group with operations in New Zealand, the United Kingdom and South Africa. In addition, PartPay Limited has an investment in QuadPay Inc a New York based organisation. PartPay Limited and QuadPay Inc operate in the Buy Now Pay Later industry in their respective geographies. The acquisition comprises an upfront consideration of NZ$50.8 million, and a further NZ$15.0 million over the next two years based on the achievement of certain performance based milestones relating to minimum transaction volumes on the PartPay platform being achieved. The acquisition will be settled through the issue of shares in Zip Co Limited and is subject to shareholder approval at a general meeting. The initial issue of shares will be at $2.76, a 5% discount to the 10 day VWAP up to and including the execution date of the Share Purchase Agreement 19 August 2019.

The consolidated entity also announced on 20 August 2019 it had entered into a subscription agreement to invest approximately US$11.4 million in QuadPay Inc, which, when combined with Part Pay's existing investment will result in the consolidated entity having a 15% shareholding in QuadPay Inc. The investment of US$11.4 million will be settled in cash.

On 6 September 2019, the consolidated entity announced it had entered into an agreement to buy the Australian and New Zealand based operations of global SME lending provider Spotcap Global. The acquisition involves a total consideration of $8.825 million to be settled through the issue of new shares.

In September 2019, the Board granted 884,824 ordinary shares to employees to reward them for their contribution to the performance of the consolidated entity. These shares were valued at $3.43, vest immediately at grant date and were issued under the Employee Short Term Incentive Plan.

There have been no other material items, transactions or events subsequent to 30 June 2019 which relate to conditions existing at that date and which require comment or adjustment to the figures dealt with in this report.

ENVIRONMENTAL REGULATION

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

INFORMATION ON DIRECTORS

Name:	Philip Crutchfield
Title:	Non-Executive Chairman
Experience and expertise:	Philip is a barrister and a former partner of Mallesons Stephen Jaques (now King & Wood Mallesons). He is a Board member of the Geelong Grammar School Council, Bell Shakespeare Theatre Company, and the Victorian Bar Foundation Limited. He holds a Master of Laws and a Bachelor of Commerce.
Other current Directorships:	None
Former Directorships (last 3 years):	None
Interests in shares:	4,502,980
Interest in options:	300,000

Name:	Larry Diamond
Title:	Managing Director and Chief Executive Officer
Experience and expertise:	Larry co-founded Zip in 2013 following 12 years in retail, technology and investment banking at Pacific Brands, Macquarie Capital and Deutsche Bank. Larry is a qualified CA and holds Bachelor of Information Technology and Master of Commerce (Finance) degrees.
Other current Directorships:	None
Former Directorships (last 3 years):	None
Interests in shares:	61,445,778
Interest in performance rights:	610,000

Directors' Report

Continued

Name:	Peter Gray
Title:	Executive Director and Chief Operating Officer
Experience and expertise:	Peter co-founded Zip in 2013, with 25 years of experience in the retail finance industry. He has underwritten over 2m customers and $1b in loan receivables globally. More recently he played an integral part in the launch of the landmark Zip Master Trust. An operations and consumer credit expert, Peter is also the responsible manager of Zip's Australian Credit Licence. He holds a Diploma of Finance.
Other current Directorships:	None
Former Directorships (last 3 years):	None
Interests in shares:	19,293,370
Interest in performance rights:	610,000

Name:	Dianne Challenor
Title:	Non-Executive Director
Experience and expertise:	Dianne is General Manager, Global Transaction Services at Westpac. Highly experienced in payments and transaction services, Dianne has also led regional and global teams for JP Morgan and Citibank. In 2018, she was named one of the "Most Influential Women in Payments" by PaymentsSource. She holds a Master of Business Administration and a Bachelor of Commerce.
Other current Directorships:	None
Former Directorships (last 3 years):	None
Interests in shares:	None

Name:	John Batistich (Appointed 3 September 2018)
Title:	Non-Executive Director
Experience and expertise:	John is a highly-experienced growth leader who brings marketing, digital and human resources skills to the Board. He is the Chairman of Foodco and Non-Executive Director for Stellar Group, General Pants Group and the Heart Research Institute. He holds a Master of Management and a Bachelor of Business.
Other current Directorships:	None
Former Directorships (last 3 years):	None
Interests in shares:	363,561

Other current Directorships quoted above are current Directorships for listed entities only and exclude Directorships of all other types of entities, unless otherwise stated.

Former Directorships (last 3 years) quoted above are Directorships held in the last 3 years for listed entities only and exclude Directorships of all other types of entities, unless otherwise stated.

Company Secretary

David Franks was appointed Company Secretary, replacing Andrew Bursill, on 21 June 2019. Mr Franks is a Fellow of the Governance Institute of Australia, Fellow of the Financial Services Institute of Australasia and a Chartered Accountant with over 20 years' experience in company secretarial, finance and accounting. Mr Franks has been CFO, Company Secretary and/or Director for numerous ASX listed and unlisted public and private companies in a range of industries, including the company secretary of Top 200 and 300 ASX listed entities.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2019, and the number of meetings attended by each Director were:

	FULL BOARD	
	HELD	ATTENDED
Philip Crutchfield	10	10
Larry Diamond	10	10
Peter Gray	10	10
Dianne Challenor	10	8
John Batistich	8	8

Held represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

Directors' Report

Continued

REMUNERATION REPORT (AUDITED)

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

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, including all Directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Group performance
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel
- Use of remuneration consultants

Principles used to determine the nature and amount of remuneration

The remuneration policy of the Group has been designed to attract and retain key management personnel and executives by rewarding them for achieving high performance and delivering long term results for our customers and shareholders, whilst adhering to sound governance practices. The remuneration framework is designed to deliver:

- Clear alignment of remuneration with strategic objectives;
- Market competitive remuneration to retain and attract quality talent;
- Remuneration policies that are clear and well understood;
- Merit-based remuneration across a diverse workforce;
- An appropriate risk culture and standards; and
- Remuneration outcomes that reflect sustainable performance.

The Board of Zip Co Limited believes the remuneration framework to be appropriate and effective in its ability to attract and retain the best key management personnel and executives to operate and manage the consolidated entity.

The Board engaged independent advisors during the year to advise on an appropriate remuneration structure for the executive Directors and other senior executives. Following the review, the Board determined that executive remuneration packages should be comprised of:

- Base salary plus superannuation – set to reflect the market median for the role, having regard to the responsibilities and complexity of the role, and the experience and skills required to successfully perform in the role.

  Base salary plus superannuation is paid in cash.
- Short Term Incentive – based on the achievement of both group financial performance (50%) and personal performance targets (50%).

  Short Term Incentives awarded are settled in shares in Zip Co Limited and 50% of shares issued are subject to a 12 months escrow period.

- Long Term Incentive – aligned to the delivery of long term performance and delivery of returns to shareholders.

  Long Term Incentives are delivered through the issue of Performance Rights and/or Options.

The Board will continue to review executive packages annually by reference to the consolidated entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The executive Directors and executives do not receive any retirement benefits other than the superannuation guarantee contribution required by the government, which was 9.5% for the 2019 financial year (9.5% for 2018 financial year).

All remuneration paid to Directors and executives is valued at the cost to the consolidated entity and expensed. Options granted in previous years were valued using the Black-Scholes methodology and the benefits amortised over the vesting period. Performance Rights granted are valued using the Monte Carlo simulation model and the benefits are amortised over the vesting period.

In accordance with best practice corporate governance, the structure of non-executive Director and executive Director remuneration is separate.

The Board policy is to remunerate non-executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. The Board sought external advice on market rates during the year, and as a result, adjustments were made to the remuneration of non-executive Directors, where appropriate, to reflect market rates. The maximum aggregate amount that can be paid to non-executive Directors is $600,000, Payments to non-executive Directors are not linked to the performance of the consolidated entity. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the consolidated entity and are able to participate in the Employee Long Term Incentive Plan. Any options or Performance Rights issued under the Employee Long Term Incentive Plan are reported as share-based payments and are approved at the consolidated entity's subsequent AGM. No Options or Performance Rights have been issued to non-executive Directors in the financial year (2018: none).

Group performance

As shown in the table below, the Group has grown strongly over the period since it was reinstated on the Australian Stock Exchange in September 2015, following the acquisition of zipMoney Holdings Pty Limited, which has led to a significant increase in the company's share price.

YEAR ENDED 30 JUNE	2019 $	2018 $	2017 $	2016 $
Revenue	84,231,132	40,406,686	17,002,131	3,170,255
Gross receivables	675,544,007	300,602,824	143,831,709	38,112,587
Share price high	3.98	1.27	0.94	0.74*
Share price low	0.84	0.56	0.60	0.25*
Share price close	3.31	0.87	0.65	0.62

* Shown for the period from reinstatement to 30 June 2016.

Directors' Report

Continued

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables. The key management personnel of the consolidated entity in the financial year consisted of the following:

- Philip Crutchfield, Non–Executive Chairman
- Larry Diamond, Executive Director
- Peter Gray, Executive Director
- Dianne Challenor, Non–Executive Director
- John Batistich, Non–Executive Director (Appointed on 3 September 2018)
- Martin Brooke, Chief Financial Officer, Executive Management

	SHORT TERM BENEFITS		POST-EMPLOYMENT BENEFITS	LONG TERM BENEFITS	SHARE- BASED PAYMENTS		
FY19	CASH SALARY AND FEES $	NON-MONETARY $	SUPER-ANNUATION $	ANNUAL LEAVE $	SHORT TERM INCENTIVE $	LONG TERM INCENTIVE $	TOTAL $
Non-Executive Directors:							
P. Crutchfield	140,000	–	13,300	–	–	–	153,300
D. Challenor	–	–	–	–	–	–	–
J Batistich[1]	83,333	–	7,917	–	–	–	91,250
Executive Directors:							
L. Diamond	350,000	20,400	33,250	10,508	153,125	22,434	589,717
P. Gray	350,000	–	33,250	9,594	153,125	22,434	568,403
Executive Management:							
M. Brooke	275,000	–	26,125	15,312	137,500	17,653	471,590
	1,198,333	20,400	113,842	35,414	443,750	62,521	1,874,260

1. Appointed 3 September 2018.

Further details of amounts awarded under the Employee Short Term and Long Term Incentive Plan are set out later in the Remuneration Report.

	SHORT TERM BENEFITS		POST-EMPLOYMENT BENEFITS	LONG TERM BENEFITS	SHARE- BASED PAYMENTS		
FY18	CASH SALARY AND FEES $	NON-MONETARY $	SUPER-ANNUATION $	ANNUAL LEAVE $	SHORT TERM INCENTIVE $	LONG TERM INCENTIVE $	TOTAL $
Non-Executive Directors:							
P. Crutchfield	110,000	–	10,450	–	–	–	120,450
D. Challenor[1]	–	–	–	–	–	–	–
M. Quinn[2]	11,040	–	1,169	–	–	–	12,209
Executive Directors:							
L. Diamond	291,667	10,845	27,708	7,712	–	–	337,932
P. Gray	291,667	–	27,708	8,047	–	–	327,422
Executive Management:							
M. Brooke	240,000	–	22,800	13,756	100,000	–	376,556
	944,374	10,845	89,835	29,515	100,000	–	1,174,569

1. Appointed 1 February 2018.
2. Resigned 1 November 2017.

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Larry Diamond
Title:	Managing Director and CEO
Agreement commenced:	1 July 2016
Term of agreement:	Annual salary of $350,000 exclusive of statutory superannuation. In addition a parking space is provided. Eligible for an annual performance-based bonus of $175,000. This was based on an independent review conducted during the year of market comparable salaries. The Company may terminate the agreement on 6 months' notice or by providing cash payment equal to 6 months' pay.

Name:	Peter Gray
Title:	Executive Director and COO
Agreement commenced:	1 July 2016
Term of agreement:	Annual salary of $350,000 exclusive of statutory superannuation. Eligible for an annual performance-based bonus of $175,000. This was based on an independent review conducted during the year of market comparable salaries. The Company may terminate the agreement on 6 months' notice or by providing cash payment equal to 6 months' pay.

Directors' Report

Continued

Name:	Philip Crutchfield
Title:	Non-Executive Chairman
Agreement commenced:	14 December 2015
Term of agreement:	Annual salary of $140,000 exclusive of statutory superannuation. This was based on an independent review conducted during the year of market comparable salaries. Tenure and retirement/ resignation as a director is governed by the *Corporations Act 2001* and the Company's constitution.

Name:	Dianne Challenor
Title:	Non-Executive Director
Agreement commenced:	1 February 2018
Term of agreement:	Dianne is the General Manager – Global Transaction Services of Westpac and was nominated by Westpac to join the Board as a Non-Executive Director. No fees are payable to either Dianne or Westpac for acting in this capacity.

Name:	John Batistich
Title:	Non-Executive Director
Agreement commenced:	3 September 2018
Term of agreement:	Annual salary of $100,000 exclusive of statutory superannuation. This was based on an independent review conducted during the year of market comparable salaries. Tenure and retirement/ resignation as a Director is governed by the *Corporations Act 2001* and the Company's constitution.

Name:	Martin Brooke
Title:	Chief Financial Officer
Agreement commenced:	9 January 2017
Term of agreement:	Annual salary of $275,000 exclusive of statutory superannuation. Eligible for annual performance-based bonus of $137,500. The Company may terminate the agreement on 3 months' notice or by providing cash payment equal to 3 months' pay.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

Other than set out in this report, there were no shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2019.

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of Directors and other key management personnel in this financial year or future reporting years are as follows:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	FAIR VALUE PER OPTION AT GRANT DATE
14 December 2015	3 years from date of issue	$0.50	$0.290
14 December 2015	3 years from date of issue	$0.70	$0.260

The options above are fully vested.

Options granted carry no dividend or voting rights.

Short Term Incentive Program

Under the terms of the Employee Incentive Program approved at the Company's Annual General Meeting on 20 November 2018 the consolidated entity may issue shares or options under its Short Term Incentive Program to Directors, senior executives and employees to align their interests with the objectives of the consolidated entity and provide incentives.

Under the terms of the Short Term Incentive Plan the consolidated entity may offer shares or options to provide a short term incentive to employees to reward the achievement of performance targets set for the year. Performance targets set for the year ended 30 June 2019 were set 50% based on the Group's financial performance and 50% on the achievement for personal performance targets. No consideration is payable in respect of the shares or options issued, but the Board retains the flexibility to include time-based vesting conditions where appropriate.

Subsequent to the financial year, 884,824 shares have been granted to employees under the Short Term Incentive Plan, based on the achievement of specific performance target set to the year to 30 June 2019.

Shares granted to key management personnel under the Short Term Incentive Plan totalled $443,750 based on 85% achievement of the group's financial performance targets, and 90% achievement of personal performance targets for the executive directors, and 115% for executive management. The amount awarded to Martin Brooke was assessed to be 100% of the maximum STI opportunity due to over achievement of personal performance targets set for the year. Amounts awarded were as follows:

SHARE	MAXIMUM STI OPPORTUNITY $	MAXIMUM STI OPPORTUNITY AS A PERCENTAGE OF BASE SALARY	VALUE OF STI AWARDED $	% OF MAXIMUM STI AWARDED	% OF MAXIMUM STI FORFEITED
Executive Directors:					
Larry Diamond	175,000	50%	153,125	87.5%	12.5%
Peter Gray	175,000	50%	153,125	87.5%	12.5%
Executive Management:					
Martin Brooke	137,500	50%	137,500	100%	0%

Directors' Report

Continued

Long Term Incentive Program

Under the terms of the Employee Incentive Plan approved at the Company's Annual General Meeting on 20 November 2018 the consolidated entity may offer Options and/or Performance Rights to eligible employees under its Long Term Incentive Program. Incentives issued are subject to vesting conditions comprising both performance and time-based hurdles, and both hurdles must be satisfied for vesting to occur.

During the year the Board issued 2,750,000 Performance Rights to Non-Executive Directors and Executive Management for no consideration. Performance Rights issued to Non-Executive Directors were approved at the Company's Annual General Meeting on 30 November 2018. Performance Rights issued to key management personnel are detailed later in the remuneration report.

Performance Rights issued have a nil exercise price and vest based on the achievement of Total Shareholder Return hurdles, and time-based hurdles, over the period from the date of grant to the assessment dates. The assessment dates are up to 3, 4, and 5 years from the date of grant. The fair values at date of grant valued using the Monte Carlo simulation model are set out on next page.

The Board set a Target Total Shareholder Return of 20% compound growth in the Company's share price and a Threshold Total Shareholder Return of 15% compound growth as the Total Shareholder Return hurdles. Performance rights will fully vest if the Target Return is achieved and will proportionately vest if the Threshold is achieved but not the Target.

The time-based hurdle requires the participant to be remain continuously employed at each of the assessment dates set by the Board.

Unless the Board determines otherwise, unvested Performance Rights will lapse in the event a recipient ceases to be an employee of the Group. Performance Rights must be exercised within six years of the date of grant or they will lapse. Unvested options will automatically lapse.

Additional disclosures relating to key management personnel.

Shareholding

The number of shares in the Company held during the financial year by each Director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	BALANCE AT THE START OF THE YEAR	AT APPOINTMENT DATE	CONVERSION FROM PERFORMANCE SHARES	CONVERSION FROM OPTIONS	NET ADDITIONS/ (DISPOSALS)	BALANCE AT THE END OF THE YEAR
Ordinary shares						
Philip Crutchfield	4,700,000	–	–	700,000	(897,020)	4,502,980
Larry Diamond	61,117,263	–	6,925,535	–	(6,597,020)	61,445,778
Peter Gray	20,006,105	–	2,285,775	–	(2,998,510)	19,293,370
John Batistich	–	266,000	–	–	97,561	363,561
Dianne Challenor	–	–	–	–	–	–
Martin Brooke	115,789	–	–	–	34,747	150,536

Option holding

The number of Options over ordinary shares in the Company held during the financial year by each Director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	BALANCE AT THE START OF THE YEAR	GRANTED	CONVERSION TO ORDINARY SHARES	DISPOSALS/ OTHER	BALANCE AT THE END OF THE YEAR	EXERCISE PRICE $
Options over ordinary shares						
Philip Crutchfield						
Expiry 5 December 2018	700,000	–	700,000	–	–	1.00
Expiry 5 December 2019	150,000	–	–	–	150,000	0.70
Expiry 5 December 2019	150,000	–	–	–	150,000	0.50
Megan Quinn[1]						
Expiry 5 December 2018	200,000	–	–	(200,000)	–	1.00

1. Megan Quinn was a non-executive director and resigned 1 November 2017. The options of 200,000 which Megan held expired during the financial year ended 30 June 2019.

Performance Rights holding

The number of Performance Rights in the Company held during the financial year by each Director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	BALANCE AT THE START OF THE YEAR	GRANTED	CONVERSION TO ORDINARY SHARES	DISPOSALS/ OTHER	BALANCE AT THE END OF THE YEAR
Performance Rights					
Larry Diamond	–	610,000	–	–	610,000
Peter Gray	–	610,000	–	–	610,000
Martin Brooke	–	480,000	–	–	480,000
Total	**–**	**1,700,000**	**–**	**–**	**1,700,000**

ISSUE DATE	VESTING DATE	EXPIRY DATE	NUMBER OF RIGHTS ISSUED	FAIR VALUE AT GRANT DATE $
Performance Rights				
15 February 2019	15 September 2021	15 February 2025	160,000	0.287
15 February 2019	15 February 2022	15 February 2025	406,666	0.287
15 February 2019	15 September 2022	15 February 2025	160,000	0.317
15 February 2019	15 February 2023	15 February 2025	406,666	0.317
15 February 2019	15 September 2023	15 February 2025	160,000	0.330
15 February 2019	15 February 2024	15 February 2025	406,668	0.330
Total			**1,700,000**	

Directors' Report

Continued

Performance Shares holding

The number of Performance Shares in the Company held during the financial year by each Director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	BALANCE AT THE START OF THE YEAR	AT APPOINTMENT	CONVERSION TO ORDINARY SHARES DURING THE YEAR	EXPIRED/ FORFEITED/ OTHER	BALANCE AT THE END OF THE YEAR
Performance shares					
Larry Diamond	6,925,535	–	6,925,535	–	–
Peter Gray	2,285,775	–	2,285,775	–	–

As announced to the ASX on 7 January 2019 the performance milestone relating to the conversion of the Performance Shares has been met, and accordingly the Performance Shares converted to Ordinary Shares.

Other transactions

John Batistich was granted 97,561 shares prior to his appointment as a Director of the Group. Mr Batistich was previously employed as a consultant under an Advisory and Referral Agreement dated 9 August 2016. The Agreement was mutually terminated with Mr Batistich awarded 97,561 shares approved by shareholders at the company's AGM held on 30 November 2018.

As a Class B Noteholder in the zipMoney Trust 2015-1 Trust Philip Crutchfield lent the trust $100,000 on the same commercial terms as offered to each of the Class B Noteholders in the Trust at the previous reporting date. This was repaid in full in the financial year to 30 June 2018. The ZipMoney Trust 2015-1 facility was closed in the financial year to 30 June 2018.

Use of remuneration consultants

During the financial year, the Board engaged Egan Associates Pty Limited to provide independent advice on a range of matters including the remuneration arrangements of key management personnel and executives. Egan Associates Pty Limited was paid $45,480 excluding GST for these services.

The Board is satisfied the remuneration recommendations were made free of any undue by the member or members of key management or executives to whom the recommendations relate as Egan Associates Pty Limited was engaged by, and reported directly to, the Board.

This concludes the remuneration report, which has been audited.

SHARES UNDER OPTION

In addition to options held by Directors, the Company granted Westpac Banking Corporation 9,800,000 options to acquire ordinary shares at $0.81 that vest based on the achievement of certain revenue hurdles as set out below:

REVENUE HURDLE	RELEVANT AMOUNT THRESHOLD	PERFORMANCE OPTIONS TO VEST
Hurdle 1	$25,000,000	1,960,000
Hurdle 2	$37,500,000	1,960,000
Hurdle 3	$50,000,000	1,960,000
Hurdle 4	$62,500,000	1,960,000
Hurdle 5	$75,000,000	1,960,000
Total		**9,800,000**

In the event a hurdle is achieved, the associated options vest, and lapse 12 months after vesting. Options relating to any hurdle not achieved by 10 August 2022 automatically lapse. Additionally, if the first revenue hurdle is not achieved by 10 August 2020, then 3,920,000 options will lapse.

The first revenue hurdle has not been met at the date of this report.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

SHARES UNDER PERFORMANCE SHARES

Unlisted performance shares of Zip Co Limited at the date of this report are as follows:

GRANT DATE	EXPIRY DATE	NUMBER UNDER RIGHTS
28 July 2015	28 July 2020	20,000,000

The consolidated entity issued 20,000,000 performance shares to Columbus Capital in 2015 in connection with the facilitation of an institutional financing facility ("Warehouse Facility"). The provision of the "Warehouse Facility" was not completed and accordingly the performance milestones are unable to be met. The consolidated entity's shareholders approved the cancellation of the performance shares at the AGM in November 2017. The consolidated entity is awaiting the completion of formal documentation by Columbus Capital to formally cancel the shares. In the event that formal documentation is not completed by Columbus Capital, the performance shares will expire on 28 July 2020.

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the Company or of any other body corporate.

SHARES UNDER PERFORMANCE RIGHTS

ISSUE DATE	VESTING DATE	EXPIRY DATE	NUMBER OF RIGHTS ISSUED	FAIR VALUE AT GRANT DATE $
15 February 2019	15 September 2021	15 February 2025	510,000	0.287
15 February 2019	15 February 2022	15 February 2025	406,666	0.287
15 February 2019	15 September 2022	15 February 2025	510,000	0.317
15 February 2019	15 February 2023	15 February 2025	406,666	0.317
15 February 2019	15 September 2023	15 February 2025	510,000	0.330
15 February 2019	15 February 2024	15 February 2025	406,668	0.330
Total			**2,750,000**	

A total of 2,750,000 were issued under the Employee Incentive Plan during the year for no consideration. The performance rights 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 Remuneration Report. No further performance rights have been issued to the date of this report.

Directors' Report

Continued

SHARES ISSUED ON THE EXERCISE OF OPTIONS

The following ordinary shares of Zip Co Limited were issued during the year ended 30 June 2019 and up to the date of this report on the exercise of options granted:

GRANT DATE	EXERCISE PRICE	NUMBER OF SHARES ISSUED
5 August 2015	$0.10	633,000
5 August 2015	$0.75	365,000
5 December 2016	$1.00	700,000
19 January 2018	Nil	285,715

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 auditor are outlined in Note 26 to the financial statements. Total amount paid for non-audit services for the year amounted to $151,000 (2018: $21,000).

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.

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*.

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,

Larry Diamond
Managing Director & Chief Executive Officer

26 September 2019

Auditor’s Independence Declaration

Deloitte Touche Tohmatsu
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The Board of Directors
Zip Co Limited
Level 14, 10 Spring Street
Sydney NSW 2000

26 September 2019

Dear Board Members

Zip Co Limited

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

As lead audit partner for the audit of the financial statements of Zip Co Limited for the financial year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Mark Lumsden
Partner
Chartered Accountants

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the Year Ended 30 June 2019

	NOTE	30 JUNE 2019 $	30 JUNE 2018 $
Portfolio Income	3	82,876,663	39,274,390
Cost of Sales	4	(51,437,867)	(31,619,922)
Gross Profit		31,438,796	7,654,468
Other income	3	1,354,469	1,132,296
Expenditure			
Administration expenses		(13,269,252)	(6,919,865)
Depreciation expense		(967,809)	(763,351)
Amortisation of intangibles		(3,587,464)	(2,809,729)
Finance costs		(364,426)	(112,500)
Occupancy expenses		(2,124,132)	(1,569,675)
Salaries and employee benefits expenses		(20,398,797)	(15,586,151)
Share-based payments		(3,215,195)	(3,575,219)
Loss Before Income Tax		**(11,133,810)**	**(22,549,726)**
Income tax benefit	6	–	–
Loss After Income Tax		**(11,133,810)**	**(22,549,726)**
Other comprehensive income for the year, net of tax		–	–
Total Comprehensive Loss for the Period Attributable to Members of Zip Co Limited		**(11,133,810)**	**(22,549,726)**
Basic loss per share	7	(3.52)	(7.84)
Diluted loss per share	7	(3.52)	(7.84)

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 2019

	NOTE	30 JUNE 2019 $	30 JUNE 2018 $
Assets			
Cash and cash equivalents	8	12,610,993	12,658,134
Other receivables		10,919,591	5,016,738
Term deposit		1,179,087	1,209,153
Customer receivables	9	647,544,007	300,602,824
Property, plant and equipment	10	2,547,442	3,240,753
Goodwill	11	4,548,276	4,548,276
Other intangible assets	12	5,812,951	5,792,007
Total Assets		**685,162,347**	**333,067,885**
Liabilities			
Trade and other payables	14	19,657,522	8,027,403
Employee provisions		1,367,637	841,239
Deferred R&D tax incentives	15	392,324	757,966
Deferred contingent consideration		-	337,200
Borrowings	16	587,445,319	289,723,751
Total Liabilities		**608,862,802**	**299,687,559**
Net Assets		**76,299,545**	**33,380,326**
Equity			
Issued capital	17	141,211,369	81,328,159
Share-based payment reserves		3,519,637	4,379,167
Accumulated losses		(68,431,461)	(52,327,000)
Total Equity		**76,299,545**	**33,380,326**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

for the Year Ended 30 June 2019

	ISSUED CAPITAL $	RESERVES $	ACCUMULATED LOSSES $	TOTAL $
Balance at 1 July 2017	**37,066,688**	**4,335,903**	**(29,777,274)**	**11,625,317**
Loss for the period	–	–	(22,549,726)	(22,549,726)
Total Comprehensive Loss	**–**	**–**	**(22,549,726)**	**(22,549,726)**
Shares issued during the period	40,000,000	–	–	40,000,000
Recognition of share-based payments	–	3,536,889	–	3,536,889
Exercise of share-based payments	–	(3,493,625)	–	(3,493,625)
Issue of ordinary shares under share-based payments plans	1,819,455	–	–	1,819,455
Exercise of options	2,743,500	–	–	2,743,500
Costs of issue	(301,484)	–	–	(301,484)
Balance at 30 June 2018	**81,328,159**	**4,379,167**	**(52,327,000)**	**33,380,326**
Adjustment on adoption of AASB 9*	–	–	(4,970,651)	(4,970,651)
Balance at 1 July 2018	**81,328,159**	**4,379,167**	**(57,297,651)**	**28,409,675**
Loss for the period	–	–	(11,133,810)	(11,133,810)
Total Comprehensive Loss	**–**	**–**	**(11,133,810)**	**(11,133,810)**
Recognition of share-based payments	–	3,215,195	–	3,215,195
Exercise of share-based payments	–	(4,074,725)	–	(4,074,725)
Issue of ordinary shares under share-based payment plans	2,343,279	–	–	2,343,279
Issue of ordinary shares upon achievement of performance milestones relating to the acquisition of Pocketbook	1,500,000	–	–	1,500,000
Exercise of options	1,605,695	–	–	1,605,695
Issue of shares – capital raising	56,765,609	–	–	56,765,609
Costs of issue	(2,331,373)	–	–	(2,331,373)
Balance at 30 June 2019	**141,211,369**	**3,519,637**	**(68,431,461)**	**76,299,545**

* Impact of adoption of AASB 9 is set out in Note 18.

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

for the Year Ended 30 June 2019

	NOTE	30 JUNE 2019 $	30 JUNE 2018 $
Cash Flows from Operating Activities			
Portfolio income from customers		83,668,204	39,606,139
Payments to suppliers and employees		(39,016,084)	(26,429,754)
R&D tax incentives		–	1,204,234
Interest received		197,287	255,400
Interest paid		(22,257,574)	(13,210,462)
Net Cash Flow from Operating Activities		**22,591,833**	**1,425,557**
Cash Flows from Investing Activities			
Payments for plant and equipment		(274,498)	(3,502,080)
Payments for software development		(3,608,408)	(2,541,794)
Net increase in receivables		(370,176,966)	(170,856,326)
Net Cash Flow to Investing Activities		**(374,059,872)**	**(176,900,200)**
Cash Flows from Financing Activities			
Proceeds from the issue of shares		57,802,659	41,031,000
Costs of share issues		(2,331,373)	(301,484)
Borrowing transaction costs		(1,550,388)	(451,000)
Proceeds from borrowings		297,500,000	204,000,000
Repayment of borrowings		–	(75,360,000)
Net Cash Flow from Financing Activities		**351,420,898**	**168,918,516**
Net decrease in cash and cash equivalents		(47,141)	(6,556,127)
Cash and cash equivalents at the beginning of the year		12,658,134	19,214,261
Cash and Cash Equivalents at the End of the Year	8	**12,610,993**	**12,658,134**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

Note 1: Significant Accounting Policies of the Full-Year Financial Report

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

The financial statements were approved by the Board of Directors and authorised for issue on 26 September 2019. The directors have the power to amend and reissue the financial statements.

Basis of preparation

The Report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted. When necessary, comparative figures will be adjusted to comply with the changes in presentation in the current period. No comparatives have been adjusted in the current financial year.

Going concern

The Directors have prepared the Report on the 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 consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2019 reflects the consolidated entity's loss after tax of $11.1 million. The consolidated statement of cash flows for the year ended 30 June 2019 reflects net cash flows from operations of $22.6 million.

The Directors have reviewed cash flow forecasts for the consolidated entity through to 30 September 2020. The cash flow forecast indicates that the consolidated entity will have sufficient funding to operate as a going concern during the forecast period. The Directors have concluded that it is appropriate to prepare the financial statements on the going concern basis, as they are confident that the consolidated entity will be able to pay its debts as and when they become due and payable from operating cash flows and available funding facilities.

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.

Notes to the Financial Statements

Continued

Revenue recognition

The consolidated entity recognises revenue on customer receivables using the effective interest method (in accordance with AASB 9), based on estimated future cash receipts over the expected life of the financial asset. In exercising their judgement of estimated future cashflows and the expected life of the customer receivables balance, the Directors have considered the historical repayment pattern of the customer receivables on a portfolio basis. These estimates require significant judgment and will be reviewed on an ongoing basis and where required, appropriate adjustments to recognition of revenue will be made in future reporting periods.

Provision for Expected Credit Loss

The carrying amounts of certain assets are often determined based on estimates and assumptions of future events. The key sources of estimation uncertainty relate to the provision for expected credit loss against loans receivable. The risk of impairment to customer receivables requires the consolidated entity to assess impairment regularly. The consolidated entity measures the provision for expected credit loss for customer receivables at an amount equal to the lifetime expected credit loss (ECL). Refer to Note 9 for further details.

Intangible assets

Software development asset

Software development costs are capitalised only when:

- the technical feasibility and commercial viability of the project is demonstrated;
- the consolidated entity has an intention and ability to complete the project and use it or sell it; and
- the costs can be measured reliably.

Such costs include payments to external contractors to develop the software, any purchase of materials and equipment and personnel costs of employees directly involved in the project.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment annually and or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable.

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 pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

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 their operations and effective for the current year.

New and amended Accounting Standards that are effective for the current year:

AASB 9 Financial Instruments

In the current financial year, the consolidated entity has applied AASB 9 *Financial Instruments* (as revised in July 2014) and the related consequential amendments to other Accounting Standards that are effective for annual periods that begins on or after 1 July 2018.

Additionally, the consolidated entity adopted consequential amendments to AASB 7 *Financial Instruments: Disclosures* which were applied to the disclosures for the current year.

AASB 9 introduced new requirements for:

1. The classification and measurement of financial assets and financial liabilities,
2. The impairment of financial assets, and
3. General hedge accounting.

Details of these new requirements as well as their impact on the consolidated entity's consolidated financial statements are described below.

The consolidated entity has applied AASB 9 in accordance with the transition provisions set out in AASB 9 and has elected not to restate comparatives in respect of the classification and measurement of financial instruments.

(a) Classification and measurement of financial assets and financial liabilities.

The date of initial application (i.e. the date on which the consolidated entity has assessed its existing financial assets and liabilities in terms of the requirements of AASB 9) is 1 July 2018. Accordingly, the consolidated entity has applied the requirements of AASB 9 to instruments that continue to be recognised as at 1 July 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018.

The Directors of the consolidated entity reviewed and assessed the consolidated entity's existing financial assets and financial liabilities as at 1 July 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of AASB 9 does not have an impact on the consolidated entity's financial assets and financial liabilities as regards their classification and measurement.

The consolidated entity's consolidated statement of financial position includes financial instruments, the majority of which are customer receivables and borrowings. Where the entity's business model is to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest, the debt instrument is measured at amortised cost (such as with customer receivables). Conversely, where the financial instrument is managed on a fair value basis, that instrument will be measured as such.

(b) Impairment of financial assets

In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the consolidated entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. It is no longer necessary for a credit event to have occurred before credit losses are recognised.

A general three stage model applies to debt instruments at amortised cost for recognising impairment losses. The consolidated entity has both long term and short-term customer receivables. The consolidated entity's provision for expected credit loss on customer receivable changed upon adoption of AASB 9. The adoption of AASB 9 impacts the consolidated entity's customer receivables balance which is measured at amortised cost. An adjustment of $4.97 million has been made to increase the impairment of customer receivables to recognise impairment on an expected loss basis for the adoption of AASB 9.

Notes to the Financial Statements

Continued

The cumulative effect of applying the change for the first time has been recognised as an adjustment to the opening balance of retained earnings on 1 July 2018.

(c) General hedge accounting.

New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. The consolidated entity does not have any hedging arrangements in place.

(d) Disclosures in relation to the initial application of AASB 9

There were no financial assets or financial liabilities which the consolidated entity had previously designated as at FVTPL (Fair Value Through Profit and Loss) under AASB 139 and consequently there were no such financial assets or financial liabilities subject to reclassification or which the consolidated entity has elected to reclassify upon the application of AASB 9. There were no financial assets or financial liabilities which the consolidated entity has elected to designate as at FVTPL at the date of initial application of AASB 9.

The impact of initial application of AASB 9 for each consolidated financial statement line item is listed in Note 18.

The application of AASB 9 has had no impact on the consolidated cash flows of the consolidated entity.

AASB 15 Revenue from Contracts with Customers

AASB 15 must be applied for annual reporting periods beginning on or after 1 January 2018. The consolidated entity has adopted this standard from 1 July 2018.

The standard contains a single model that applies to all revenue arising from contracts. AASB 15 introduces a single principle-based five step model for recognising revenue and introduces the concept of recognising revenue when an obligation to a customer is satisfied.

AASB 15 does not have a material impact on the revenue recognition accounting policy for the consolidated entity given that substantially all revenue streams fall within the scope of AASB 9 – Financial Instruments.

New Accounting Standards and Interpretations not yet mandatory or early adopted:

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory and which are expected to have a significant impact on the financial statements are presented below.

AASB 16 Leases

AASB 16 eliminates the operating and finance lease classifications for lessees currently the model under AASB 117 Leases for lessees. It instead requires an entity to recognise most leases on its statement of financial position in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right-of-use asset in its statement of financial position for most leases.

There are some optional exemptions for leases with a period of 12 months or less and for low value leases. The application date of this standard is for annual reporting periods beginning on or after 1 January 2019. AASB 16 has not been early adopted by the consolidated entity for the full year ended 30 June 2019. The date of initial application of AASB 16 for the consolidated entity will be 1 July 2019.

Under AASB 16, right-of-use assets will be tested for impairment in accordance with AASB 136 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

The consolidated entity has chosen the modified retrospective application of AASB 16 in accordance with AASB 16 C5(b). Consequently, the consolidated entity will not restate the comparative information.

On initial application of AASB 16, for all leases (except as noted below), the consolidated entity will:

- Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit and loss;

There are some optional exemptions for leases with a period of 12 months or less and for low value leases. For short term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the consolidated entity will opt to recognise a lease expense on a straight-line basis as permitted by AASB 16. The consolidated entity chooses to use the practical expedient not to separate contracts into lease and non-lease components as at 1 July 2019.

As at 30 June 2019, the consolidated entity's future minimum lease payments under non-cancellable operating leases are $10.1 million. An assessment undertaken by management indicates a lease liability of approximately $8.9 million. This is measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

b. Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 27.

c. 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 2019 and the results of all subsidiaries for the year then ended. Zip Co Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated entity. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between consolidated entity companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

d. Segment Reporting

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

e. Goodwill

Goodwill arising on an 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 cash-generating units (or groups of cash-generating units) that are expected to benefit from the synergies of the combination.

A cash-generating unit 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

Notes to the Financial Statements

Continued

cash-generating unit 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 the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

f. 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 the adjustment recognised for prior periods, where applicable.

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 carrying amount of recognised and unrecognised deferred tax assets are 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.

g. Trade and other payables

Trade and other payables represent the principal amounts outstanding at balance date, plus, where applicable, any accrued interest.

h. Recoverable Amount of Assets

The carrying amounts of assets are reviewed annually by Directors to ensure they are not in excess of the recoverable amounts. The expected net cash flows are discounted to present values in determining recoverable amounts.

i. Portfolio Income

The Directors consider that revenue from Merchants fees, Establishment 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.

In making their judgement around estimated future cashflows and the expected life of the customer receivables balance, the Directors have considered the historical repayment pattern of the customer receivables on a portfolio basis. These estimates are reviewed on an ongoing basis and where required, appropriate adjustments will be made in future reporting periods.

j. Issued Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds. Incremental costs directly attributable to the issue of new shares or options, for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

k. Cash and cash equivalents

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.

l. Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on high quality corporate bond rates, which have terms to maturity approximating the terms of the related liability, are used.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled share-based payment transactions are awards of shares, or options over shares that are provided to employees in exchange for the rendering of services.

Notes to the Financial Statements

Continued

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Binomial, Black-Scholes option pricing model or Monte Carlo simulation model that take into account the exercise price, the term of the option or performance rights, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option or performance rights, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

There are no cash-settled share-based payments as at year end. Share-based payments which have been approved but yet to be issued to the employees at the end of the reporting period are recognised on the basis of equity settled share-based payment transactions.

m. Intangible assets

Software development asset

Software development costs are capitalised only when:

- the technical feasibility and commercial viability of the project is demonstrated;
- the consolidated entity has an intention and ability to complete the project and use it or sell it; and
- the costs can be measured reliably.

Such costs include payments to external contractors to develop the software, any purchase of materials and equipment and personnel costs of employees directly involved in the project.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Acquired Intangible Assets

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

n. Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

o. 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 and financial liabilities are initially measured at fair value.

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 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.

Customer receivables

Customer receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the consolidated entity did not intend to sell immediately or in the near term. Customer receivables are measured at amortised cost using the effective interest method, less any impairment.

Impairment of customer receivables

Financial assets, other than those at fair value through profit and loss, are assessed for indicators of impairment at the end of each reporting period. An expected credit loss model is used for assessment of impairment of customer receivables under AASB 9. Expected credit losses 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 the customers. The expected credit losses are calculated based on either 12 months or the lifetime of the customer receivables.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Please refer to Note 9 for further details of customer receivables and impairment of financial assets.

p. 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.

q. Foreign currencies

The financial statements are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Australian dollars ('$'), which is the functional currency of the consolidated entity and the presentation currency for the consolidated financial statements. All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction.

Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date.

Notes to the Financial Statements

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r. Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable.

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

s. Government grants/Research and development tax incentives

Grants from the government (such as research and development tax incentives) are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants are initially recognised as deferred income and are recognised in the profit or loss on a systematic basis over the useful life of the underlying asset.

Note 2: Segment Information

Management has determined that the consolidated entity has one reporting segment being the provision of financial products and payment solutions to customers, and providing a variety of integrated solutions to small, medium and enterprise merchants across numerous industries, both online and in-store. The internal reporting framework is based on the principal activity as discussed above and is the most relevant to assist the Board in its role as chief operating decision maker, with making decisions regarding the consolidated entity and its ongoing growth.

The assets as presented relate to the reporting segment, as identified above.

The consolidated entity operates in Australia and New Zealand. At this stage the consolidated entity's operations in New Zealand are immaterial in the context of the consolidated entity's overall revenue and assets.

Note 3: Revenue

	CONSOLIDATED	
	30 JUNE 2019 $	30 JUNE 2018 $
Portfolio income	**82,876,663**	**39,274,390**
Other income		
Interest income from financial institutions	197,287	255,400
R&D tax incentives	365,642	545,148
Other	791,540	331,748
Total other income	**1,354,469**	**1,132,296**
Total revenue	**84,231,132**	**40,406,686**

Note 4: Cost of Sales

	CONSOLIDATED	
	30 JUNE 2019 $	30 JUNE 2018 $
Interest expense	22,939,653	13,024,665
Expected credit loss/Doubtful debts expense	21,946,751	13,190,378
Bank fees and data costs	5,461,586	3,941,762
Amortisation of funding costs	1,089,877	1,463,117
Total cost of sales	**51,437,867**	**31,619,922**

Note 5: Expenses

	CONSOLIDATED	
	30 JUNE 2019 $	30 JUNE 2018 $
Loss before income tax includes the following specific expenses:		
Amortisation of Intangibles:		
Amortisation of acquired intangibles	700,404	700,404
Amortisation of internally generated intangibles	2,887,060	2,109,325
Superannuation expense:		
Defined contribution superannuation expense	1,779,940	1,343,232
Finance costs:		
Other funding costs	364,426	112,500
Administration expenses:		
Professional services	1,578,715	1,208,750
Information technology expense	4,787,108	2,720,599
Marketing expense	3,446,413	1,681,612
Other administration expense	3,457,016	1,308,904
Other expenses:		
Operating lease expense	1,849,922	1,271,681

Notes to the Financial Statements

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Note 6: Income Tax

	CONSOLIDATED	
	30 JUNE 2019 $	30 JUNE 2018 $
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax benefit	(11,133,810)	(22,549,726)
Tax at the statutory tax rate of 30%	(3,340,143)	(6,764,918)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	964,558	1,179,597
Non-deductible expenses	918,903	676,364
R&D tax incentives	(109,693)	(163,544)
	(1,566,375)	(5,072,501)
Prior year tax losses brought to account	(2,066,186)	–
Current year tax losses not recognised	–	3,369,782
Current year temporary differences not recognised	3,632,561	1,702,719
	–	–

Note 7: Loss per Share

a. Losses used in calculating loss per share

ALL FIGURES IN $	30 JUNE 2019	30 JUNE 2018
Loss attributable to the owners of the consolidated entity used in calculating basic and diluted loss per share	(11,133,810)	(22,549,726)

b. Weighted average number of shares used as the denominator

NUMBER OF SHARES	30 JUNE 2019	30 JUNE 2018
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	316,161,274	287,483,273

c. Basic and diluted loss per share

	30 JUNE 2019 CENTS	30 JUNE 2018 CENTS
Basic loss per share	(3.52)	(7.84)
Diluted loss per share[1]	(3.52)	(7.84)

1. As the consolidated entity had losses for the ended 30 June 2019 and 30 June 2018, no dilutive shares have been included in the EPS calculation.

Note 8: Cash and Cash Equivalents

At 30 June 2019, the consolidated entity had cash at bank of $12,610,993 of which $6,436,059 is in restricted cash (30 June 2018: cash at bank of $12,658,134 of which $8,658,406 was in restricted cash). Cash held in corporate accounts, shown as unrestricted, includes amounts remitted to Trusts the next business day. Restricted cash is held by the zipMoney 2017-1 Trust and 2017-2 Trust and is not available to pay creditors of the consolidated entity.

Note 9: Customer Receivables

Classification and Measurement

Under AASB 9, customer receivables are initially recognised at fair value upon recognition. Subsequently, they are classified and measured at amortised cost as:

- The consolidated entity provides accounts with lines of credit to customers, and the business model is to hold such accounts and collect contractual cash flows until the account is closed. There have been no historic sales and there are no current plans to sell the accounts for fair value gains; 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 permit customers to vary the dates and frequency of payments.

Impairment

AASB 9 requires recognition of expected credit losses based on unbiased forward-looking information and is applicable to all financial assets at amortised cost, debt financial assets at FVOCI (Fair Value Through Other Comprehensive Income) and loan commitments. The guidance requires assets to be classified 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, 12-month expected credit losses (ECL) 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.

Provisioning Model

In determining the appropriate level of provision for expected credit loss, the consolidated entity has considered receivables attributable to Zip Pay and Zip Money customers separately. 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 12 months period, to the credit limits of those customers that are considered current and to the respective overdue balances for those customers in arrears. The consolidated entity's policy is to write off balances that are outstanding for over 180 days in accordance with historical experience and industry practice.

Notes to the Financial Statements

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Accordingly, under the requirements of AASB 9, a provision has been recognised for performing customer receivables to the extent that expected life time losses emerge within a 12 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 loss.

In calculating a provision for expected credit loss, an allowance for loss debt recoveries is applied to the resulting estimated exposure at default and an economic overlay is added to take account of forward-looking macro-economic and regulatory factors (including GDP, unemployment rate, inflation rate, etc) and modelling risks.

Significant increase in credit risk since initial recognition

The provisioning model utilises customer receivables 30 days past due as the absolute criteria to identify increases in credit risk.

Definition of default and credit-impaired assets

Where there has been objective evidence of impairment for a loan receivable, the allowance will be based on lifetime expected credit loss. A loan receivable will be considered in default at 90 days past due and when the Group is unlikely to receive the outstanding contractual amount in full based on internal or external indicators.

The following table summarises customer receivables as at reporting date:

		CONSOLIDATED	
	30 JUNE 2019 $	1 JULY 2018* $	30 JUNE 2018 $
Gross customer receivables	682,555,716	316,741,362	316,741,362
Unearned future income	(9,420,505)	(6,636,297)	(6,636,297)
Provision for expected credit loss/allowance for doubtful debts	(25,591,204)	(14,472,892)	(9,502,241)
	647,544,007	295,632,173	300,602,824

* Impact of adoption of AASB 9 is set out in Note 18.

The following tables summarise gross carrying amount of customer receivables and provision for expected credit loss by stages:

	30 JUNE 2019 $	1 JULY 2018 $
Gross customer receivables		
12 month expected loss	649,426,854	298,964,242
Lifetime	33,128,862	17,777,120
Total gross carrying amount	**682,555,716**	**316,741,362**
Unearned future income	(9,420,505)	(6,636,297)
Total gross carrying value including valuation adjustments	**673,135,211**	**310,105,065**
Less provision for expected credit loss		
12 month expected loss	4,727,653	4,306,903
Lifetime	20,863,551	10,165,989
Total provision for expected credit loss	**25,591,204**	**14,472,892**
Net balance sheet carrying value	**647,544,007**	**295,632,173**

Provision for expected credit loss movement

From 1 July 2018 to 30 June 2019, the provision for expected credit loss has increased by $11,118,312 to $25,591,204, which was primarily driven by the $15,351,742 increase in the value of customer receivables subject to life time loss, offset by lower provision for ECL rate applied to customer receivables subject to 12 month expected loss. The provision for expected credit loss as a percentage of receivables has fallen from 4.57% of the gross customer receivables balance at 1 July 2018 to 3.75% at 30 June 2019 largely as a result of an improvement in the historic roll rates at 30 June 2019 compared to 1 July 2018.

DETAILS	DATE	$
Balance	30 June 2017	**4,561,500**
Doubtful debts expense recognised during the year to profit or loss		13,190,378
Receivables written-off during the year		(8,559,961)
Recoveries during the year		310,324
Balance	30 June 2018	**9,502,241**
Impact of adoption of AASB 9*		4,970,651
Balance	1 July 2018	**14,472,892**
Expected credit loss recognised during the year to profit or loss		21,946,751
Receivables written-off during the year		(12,358,317)
Recoveries during the year		1,529,878
Balance	30 June 2019	**25,591,204**

* Impact of adoption of AASB 9 is set out in Note 18.

Note 10: Property, Plant and Equipment

	CONSOLIDATED	
	30 JUNE 2019 $	30 JUNE 2018 $
Carrying amounts of		
Computer equipment	498,962	591,597
Leasehold improvements	2,048,480	2,649,156
	2,547,442	**3,240,753**

	COMPUTER EQUIPMENT $	LEASEHOLD IMPROVEMENTS $	TOTAL $
Cost			
Balance at 1 July 2017	513,180	201,555	714,735
Additions	539,747	2,962,333	3,502,080
Disposals	(49,027)	(187,173)	(236,200)
Balance at 30 June 2018	1,003,900	2,976,715	3,980,615
Additions	235,142	39,356	274,498
Balance at 30 June 2019	**1,239,042**	**3,016,071**	**4,255,113**

Notes to the Financial Statements

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	COMPUTER EQUIPMENT $	LEASEHOLD IMPROVEMENTS $	TOTAL $
Accumulated depreciation			
Balance at 1 July 2017	163,816	48,895	212,711
Additions	295,514	475,837	763,351
Disposals	(49,027)	(187,173)	(236,200)
Balance at 30 June 2018	412,303	327,559	739,862
Additions	327,777	640,032	967,809
Balance at 30 June 2019	**740,080**	**967,591**	**1,707,671**

Note 11: Goodwill

	CONSOLIDATED	
	30 JUNE 2019 $	30 JUNE 2018 $
Cost	4,548,276	4,584,276
Less: Accumulated impairment losses	–	–
	4,548,276	**4,584,276**

The consolidated entity has one cash-generating unit representing the entire operations of the consolidated entity. Goodwill has been allocated to this cash-generating unit.

The recoverable amount has been based on value in use calculations which uses cash flow projections covering a five-year period and a post-tax discount rate of 10.3%. The discount rate reflecting an estimate of the equity cost of capital.

Cash flows beyond the five-year period have been extrapolated using a steady 4.25% annual growth rate.

The consolidated entity has conducted sensitivity analysis of +/- 100 basis point movements on the growth rate and cost of capital rate assumptions above to assess the effect on recoverable amount of changes in the key assumptions. The consolidated entity is satisfied that all the assumptions on which the recoverable amounts are based are fair and reasonable. The carrying amount does not exceed the recoverable amount of the consolidated entity's cash-generating unit as at 30 June 2019.

Note 12: Other Intangible Assets

	CONSOLIDATED	
	30 JUNE 2019 $	30 JUNE 2018 $
Carrying amounts of		
Brand names and trademarks	116,103	145,308
Customer database	206,992	298,996
IT development and software	5,489,856	5,347,703
	5,812,951	**5,792,007**

	BRAND NAMES AND TRADEMARKS $	CUSTOMER DATABASE $	IT DEVELOPMENT AND SOFTWARE $	TOTAL $
Cost				
Balance at 1 July 2017	188,401	460,000	7,797,141	8,445,542
Additions	18,857	–	2,522,937	2,541,794
Balance at 30 June 2019	207,258	460,000	10,320,078	10,987,336
Additions	6,195	–	3,602,213	3,608,408
Balance at 30 June 2019	**213,453**	**460,000**	**13,922,291**	**14,595,744**

	BRAND NAMES AND TRADEMARKS $	CUSTOMER DATABASE $	IT DEVELOPMENT AND SOFTWARE $	TOTAL $
Accumulated amortisation				
Balance at 1 July 2018	26,550	69,000	2,290,050	2,385,600
Amortisation for the year	35,400	92,004	2,682,325	2,809,729
Balance at 30 June 2019	61,950	161,004	4,972,375	5,195,329
Amortisation for the year	35,400	92,004	3,460,060	3,587,464
Balance at 30 June 2019	**97,350**	**253,008**	**8,432,435**	**8,782,793**

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

Brand names and trademarks	1 to 5 years
Customer database	5 years
IT development and software	2.5 to 5 years

Note 13: Deferred Tax Not Recognised

The consolidated entity has the following deferred tax asset which has not been brought into account.

	CONSOLIDATED	
	30 JUNE 2019 $	30 JUNE 2018 $
Deferred tax assets comprise temporary differences attributable to:		
Tax losses	5,304,993	7,127,854
Timing differences	6,350,559	2,717,999
	11,655,552	**9,845,853**

The deferred tax assets will be recognised in the accounts once the consolidated entity can demonstrate that it is probable that the tax benefit will be utilised within the foreseeable future.

Tax losses in FY19 include adjustments in respect of losses brought forward from FY18 amounting to $243,325. Tax losses and timing difference in FY18 included adjustments in respect of losses and timing difference brought forward from the prior financial year amounting to ($380,311) and $98,711, respectively.

Notes to the Financial Statements

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Note 14: Trade and Other Payables

	CONSOLIDATED	
	30 JUNE 2019 $	30 JUNE 2018 $
Trade payables	18,951,130	7,535,973
Other payables and accruals	706,392	491,430
	19,657,522	**8,027,403**

The increase in other receivables and trade payables result from timing differences at 30 June 2018 compared to 30 June 2019, due to the last day of June falling on a Sunday in 2019 as compared to a Saturday in 2018. This led to an increase in the level of other receivables of $4.9million (in customer repayments) and other payables of $8.8million (in merchant payments) at 30 June 2019.

Refer to Note 20 for further information on financial instruments.

Note 15: Deferred R&D Tax Incentives

	CONSOLIDATED	
	30 JUNE 2019 $	30 JUNE 2018 $
Deferred R&D tax incentive	392,324	757,966

The consolidated entity recognises its R&D tax incentives as deferred income in accordance with the guidance under AASB 120 Government Grants and is systematically amortises it to the profit or loss as other income over the expected useful life of the underlying development assets (2.5 years).

Note 16: Borrowings and Securitisation Warehouse

Borrowings and securitisation warehouse

The consolidated entity sells customer receivables to special purpose vehicle securitisation warehouses (zipMoney Trust 2017-1 and zipMoney Trust 2017-2) through its asset-backed securitisation program. The 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 vehicles. The consolidated entity may serve as a manager, servicer, liquidity provider, purchaser of notes and/or purchaser of residual interest units.

	CONSOLIDATED	
	30 JUNE 2019 $	30 JUNE 2018 $
Class A Notes	526,000,000	230,000,000
Class B Notes	61,500,000	60,000,000
Add: Accrued interest	1,431,108	749,029
Less: Unamortised costs	(1,485,789)	(1,025,278)
	587,445,319	**289,723,751**

At 30 June 2019 the undrawn facility amounted to $44.0 million (30 June 2018: $90.0 million).

Total secured liabilities

	CONSOLIDATED	
	30 JUNE 2019 $	30 JUNE 2018 $
Class A Notes	526,000,000	230,000,000
Class B Notes	61,500,000	60,000,000
	587,500,000	**290,000,000**

Assets pledged as security

The table below presents the assets and underlying borrowings as a result of the securitisation warehouse:

	CONSOLIDATED	
	30 JUNE 2019 $	30 JUNE 2018 $
Customer receivables[1]	644,277,022	295,794,526
Cash held by securitisation warehouse	6,436,059	8,658,406
	650,713,081	**304,452,932**
Borrowings related to receivables	660,000,000	306,400,000

1. The amount recognised above represents the carrying value of the customer receivables held by the zipMoney Trusts and is net of provision for expected credit loss and unearned future income. This excludes customer receivables totalling $3.3 million held by zipMoney Payment Pty Ltd at 30 June 2019 and $4.8 million at 30 June 2018.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	30 JUNE 2019 $	30 JUNE 2018 $
Total facility size		
Total facility size – securitisation warehouse	621,500,000	370,000,000
Total facility size – working capital	10,000,000	10,000,000
Used at the reporting date		
Used facility – securitisation warehouse	587,500,000	290,000,000
Used facility – working capital	–	–
Unused at the reporting date		
Unused facility – securitisation warehouse	34,000,000	80,000,000
Unused facility – working capital	10,000,000	10,000,000

Notes to the Financial Statements

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Terms of the facilities

As at 30 June 2019, the consolidated entity had two securitisation warehouses in place.

Under each warehouse program, loans are originated on zipMoney Payments Pty Limited's balance sheet and immediately sold into a program administered by Perpetual Trustee Limited.

As at 30 June 2019, the zipMoney Trust 2017-1 had $560.0 million in committed Class A and B wholesale debt financing with a term maturing in May 2021. The facility is secured against the underlying pool of receivables with no credit recourse back to the consolidated entity. Subsequent to the reporting period end, the consolidated entity increased the facilities available from NAB within the zipMoney Trust 2017-1 by $100.0 million and following the completion of the Zip Master Trust on 5 September 201, reduced facility by $200.0 million.

As at 30 June 2019, the zipMoney Trust 2017-2 had $71.5 million in committed Class A ($70.0 million) wholesale debt financing with a term maturing on 31 December 2020 and Class B ($1.5 million) debt financing with a term maturing on 17 November 2019. The facility is available to fund customer receivables junior notes and as a source of working capital funding to the consolidated entity. The facility is secured against the underlying pool of receivables and by way of corporate guarantee provided by the parent Zip Co Limited.

Note 17: Issued Capital

	CONSOLIDATED			
	30 JUNE 2019 SHARES	30 JUNE 2019 $	30 JUNE 2018 SHARES	30 JUNE 2018 $
Ordinary shares – fully paid	352,137,991	141,211,369	295,548,222	81,328,159
Performance shares	20,000,000	–	33,330,000	–
	372,137,991	**141,211,369**	**328,878,222**	**81,328,159**

Movements in ordinary share capital

DETAILS	DATE	SHARES	$
Balance	1 July 2017	**238,673,009**	**37,066,688**
Issue of shares – employee incentives		2,442,497	1,819,455
Issue of shares – placement		49,382,716	40,000,000
Issue of shares – exercise of options		5,050,000	2,743,500
Costs of issue during the period		–	(301,484)
Balance	30 June 2018	**295,548,222**	**81,328,159**
Balance	1 July 2018	**295,548,222**	**81,328,159**
Issue of shares – employee incentives		2,286,407	2,343,279
Issue of shares – Pocketbook achievement of performance milestones		1,887,942	1,500,000
Issue of shares – exercise of options		1,983,715	1,605,695
Issue of shares – capital Raising		37,101,705	56,765,609
Conversion from performance shares		13,330,000	–
Costs of issue during the period		–	(2,331,373)
Balance	30 June 2019	**352,137,991**	**141,211,369**

Movements in performance shares

DETAILS	DATE	SHARE NUMBERS
Balance	30 June 2017	33,330,000
Balance	30 June 2018	33,330,000
Conversion to ordinary shares		(13,330,000)
Balance	**30 June 2019**	**20,000,000**

The consolidated entity issued 20,000,000 performance shares to Columbus Capital in 2015 in connection with the facilitation of an institutional financing facility ("Warehouse Facility"). The provision of the "Warehouse Facility" was not completed and accordingly the performance milestones are unable to be met. The consolidated entity's shareholders approved the cancellation of the performance shares at the AGM in November 2017. The consolidated entity is awaiting the completion of formal documentation by Columbus Capital to formally cancel the shares. In the event that formal documentation is not completed by Columbus Capital, the performance shares will expire on 28 July 2020.

The 13,330,000 performance shares that converted to ordinary shares represent those shares issued to the original vendors in the event pre-tax break-even was achieved in a consecutive three calendar month period prior to 17 September 2018. On 7 January 2019 the consolidated entity announced that the third performance milestone arising from the original acquisition of zipMoney Holdings Pty Ltd by Rubianna Resources Limited in September 2015 had been met, and accordingly 13,330,000 performance shares converted to ordinary shares from that date.

Movements in options

DETAILS	DATE	OPTION NUMBERS
Balance	30 June 2017	**7,368,000**
Options issued to Westpac Banking Corporation		9,800,000
Employee unlisted options issued		285,715
Options exercised		(5,050,000)
Balance	30 June 2018	**12,403,715**
Options exercised		(1,983,715)
Options expired not exercised		(320,000)
Balance	30 June 2019	**10,100,000**

Movements in performance rights

DETAILS	DATE	RIGHTS NUMBERS
Balance	30 June 2017	–
Balance	30 June 2018	–
Issue of performance rights		2,750,000
Balance	30 June 2019	**2,750,000**

The issue of 2,750,000 performance rights represent those shares issued under the Employee Incentive Plan approved at the consolidated entity's Annual General Meeting held on 30 November 2018.

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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.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or consolidated entity is seen as value adding relative to the current consolidated entity's share price at the time of the investment.

Note 18: Impact of Initial Application of AASB 9 on the Consolidated Financial Statements

Following a review of the impact of AASB 9 on the financial statements, the consolidated entity concluded that an increase in the provision for expected credit loss recorded against customer receivables at 30 June 2018 was required. In accordance with the requirements of AASB 9 an additional amount of $4,970,651 was added to the provision for expected credit loss and a corresponding amount recognised as an adjustment to retained earnings.

The tables below show the adjustment made to each line in the financial statements impacted by the application of AASB 9 on the opening balances for the financial year ended 30 June 2019.

Impact on assets, liabilities and equity as at 1 July 2018

CONSOLIDATED1 JULY 2018	30 JUNE 2018 $	AASB 9 ADJUSTMENTS $	1 JULY 2018 $
Customer receivables	300,602,824	(4,970,651)	295,632,173
Net assets	**33,380,326**	**(4,970,651)**	**28,409,675**
Accumulated losses	(52,327,000)	(4,970,651)	(57,297,651)
Equity	**33,380,326**	**(4,970,651)**	**28,409,675**

The application of AASB 9 has had no impact on the consolidated cash flows of the consolidated entity.

Note 19: Dividends

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

Note 20: Financial Instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (such as interest rate 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, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by management under policies approved by the Board of Directors ('the Board').

These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Management identify and evaluate financial risks within the consolidated entity's operating units and report to the Board on a monthly basis.

Market risk

Foreign currency risk

The foreign currency risk is limited as the consolidated entity mainly operates in Australia.

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

The consolidated entity's main interest rate risk arises from its borrowings. The consolidated entity's borrowings are all on variable rates.

In the event of a +/- 1% movement in the BBSW, the consolidated entity's interest expense would move by +/- $5,875,000.

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

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 references and setting appropriate credit limits prior to the customers joining the Zip Co 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 credit provision raised represents management's expectation on credit loss in the receivables portfolio at reporting date under AASB 9.

Notes to the Financial Statements

Continued

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 to recognised financial assets is the carrying amount, net of any provisions for expected credit loss of those assets, as disclosed in the consolidated statement of financial position and notes to the consolidated financial statements. The consolidated entity does not hold any collateral.

Customer receivables

The consolidated entity's customer receivable balances are high volume low value advances to individual customers.

The table below provides information about customer receivables from customers by payment due status.

	CONSOLIDATED	
	30 JUNE 2019 $	30 JUNE 2018 $
Past due under 30 days	17,059,482	9,949,636
Past due 31 days to under 60 days	5,683,657	1,909,418
Past due 61 to under 90 days	3,888,246	1,773,645
Past due 91 to under 180 days	6,497,477	4,144,421

While the consolidated entity believes that the level of provision for expected credit loss provided in the consolidated financial statements is sufficient to address any potential write-offs arising from the arrears above, the consolidated entity will continue to maximise its effort to minimise the risk of actual bad debts through its robust debtor management practices.

Liquidity risk

Vigilant 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 material breaches of any of the covenants in place during the financial period.

Financing arrangements

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

Remaining contractual maturities

The financial instrument assets of the consolidated entity predominantly comprise customer receivables that have an average repayment profile of six and twelve months, for Zip Pay and Zip Money receivables respectively.

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument 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 2019	WEIGHTED AVERAGE INTEREST RATE %	1 YEAR OR LESS $	BETWEEN 1 AND 2 YEARS $	BETWEEN 2 AND 5 YEARS $	OVER 5 YEARS $	REMAINING CONTRACTUAL MATURITIES $
Non-derivatives						
Non-interest bearing						
Payables		19,657,522	–	–	–	19,657,522
Interest-bearing – variable rate						
Borrowings	4.65%	2,931,108	586,000,000	–	–	588,931,108
Total non-derivatives		**22,588,630**	**586,000,000**	**–**	**–**	**608,588,630**

CONSOLIDATED 30 JUNE 2018	WEIGHTED AVERAGE INTEREST RATE %	1 YEAR OR LESS $	BETWEEN 1 AND 2 YEARS $	BETWEEN 2 AND 5 YEARS $	OVER 5 YEARS $	REMAINING CONTRACTUAL MATURITIES $
Non-derivatives						
Non-interest bearing						
Payables		8,027,403	–	–	–	8,027,403
Deferred contingent consideration		337,200	–	–	–	337,200
Interest-bearing – variable rate						
Borrowings	5.19%	273,749,029	17,000,000	–	–	290,749,029
Total non-derivatives		**282,113,632**	**17,000,000**	**–**	**–**	**299,113,632**

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

Fair value of financial instruments

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

Notes to the Financial Statements

Continued

Reconciliation of borrowings

	30 JUNE 2018 $	CASH FLOWS $	NON-CASH MOVEMENT $	30 JUNE 2019 $
Gross borrowings	290,000,000	297,500,000	–	587,500,000
Accrued interest	749,029	(22,257,574)	22,939,653	1,431,108
Unamortised costs	(1,025,278)	(1,550,388)	1,089,877	(1,485,789)
Total	**289,723,751**	**273,692,038**	**24,029,530**	**587,445,319**

	30 JUNE 2017 $	CASH FLOWS $	NON-CASH MOVEMENT $	30 JUNE 2018 $
Gross borrowings	161,360,000	128,640,000	–	290,000,000
Accrued interest	934,826	(13,210,462)	13,024,665	749,029
Unamortised costs	(2,037,395)	(451,000)	1,463,117	(1,025,278)
Total	**160,257,431**	**114,978,538**	**14,487,782**	**289,723,751**

Note 21: Commitments

The following table summarises the operating lease commitments of the consolidated entity:

	30 JUNE 2019 $	30 JUNE 2018 $
Operating lease commitments		
Not later than 1 year	2,271,284	1,704,537
Later than 1 year and not more than 5 years	7,816,631	6,498,617
Total minimum lease payments	**10,087,916**	**8,203,154**

Note 22: Contingencies

Other than reported in the financial statements, there are no other contingent liabilities or contingent assets as at 30 June 2019 (30 June 2018: 337,000).

Note 23: Key Management Personal Disclosures

Directors

The following persons were Directors of Zip Co Limited (Zip or the Company) during the whole of the financial year:

- Philip Crutchfield
- Larry Diamond
- Peter Gray
- Dianne Challenor
- John Batistich (Appointed 3 September 2018)

Compensation

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

	30 JUNE 2019 $	30 JUNE 2018 $
Short-term employee benefits	1,218,733	955,219
Post-employment benefits	113,842	89,835
Long-term benefits	35,414	29,515
Share-based payments	506,271	100,000
	1,874,260	**1,174,569**

Note 24: Related Party Transactions

Parent entity

Zip Co Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in Note 28.

Key management personnel

Disclosures relating to key management personnel are set out in Note 23 and the remuneration report included in the directors' report.

Transactions with related parties

As a Class B Noteholder in the zipMoney Trust 2015-1 Philip Crutchfield lent the trust $100,000 on the same commercial terms as offered to each of the Class B Noteholders in the Trust at the previous reporting date. This was repaid in full in the financial year to 30 June 2018. The ZipMoney Trust 2015-1 facility was closed in the financial year to 30 June 2018.

There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties

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

Loans to/from related parties

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

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Notes to the Financial Statements

Continued

Note 25: Reconciliation of Loss After Income Tax to Net Cash From Operating Activities

	30 JUNE 2019 $	30 JUNE 2018 $
Loss after income tax benefit for the year	(11,133,810)	(22,549,726)
Adjustments for:		
Depreciation and amortisation expense	4,555,273	3,573,080
Expected credit loss/doubtful debts expense	21,946,751	13,190,378
Amortisation of funding costs	1,089,877	1,463,117
Share-based payment	3,215,195	3,575,219
Change in operating assets and liabilities:		
Decrease/(increase) in other receivables	(5,902,893)	(4,973,098)
Increase/(decrease) in trade and other payables	8,660,646	6,213,327
Increase/(decrease) in R&D tax incentives	(365,642)	659,086
Increase in employee provisions	526,398	274,174
Net cash from operating activities	**22,591,833**	**1,425,557**

Note 26: Remuneration of Auditors

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmastsu, the auditor of the consolidated entity:

	30 JUNE 2019 $	30 JUNE 2018 $
Audit services		
Audit and review of the financial statements	214,000	150,000
Non-audit service		
Agreed-upon procedures	124,000	21,000
Due diligence	23,000	–
Tax consulting services	4,000	–
Total	**338,000**	**171,000**

Note 27: 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.

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.

Statement of profit or loss and other comprehensive income

	PARENT	
	30 JUNE 2019 $	30 JUNE 2018 $
Loss after income tax	(1,398,990)	(1,051,496)
Total comprehensive loss	**(1,398,990)**	**(1,051,496)**

Statement of financial position

	PARENT	
	30 JUNE 2019 $	30 JUNE 2018 $
Total current assets	31,443	90,932
Total non-current assets	145,931,375	88,499,210
Total assets	**145,962,818**	**88,590,142**
Total current liabilities	187,105	(439,120)
Total liabilities	**187,105**	**(439,120)**
Net assets	**145,775,713**	**88,151,022**
Issued capital	156,702,430	96,819,220
Reserve	4,052,448	4,911,978
Accumulated losses	(14,979,165)	(13,580,176)
Total equity	**145,775,713**	**88,151,022**

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

During the financial year ended 30 June 2018 and financial year 30 June 2019, the parent entity and its 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 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 any of the subsidiaries under certain provisions of the *Corporations Act 2001*.

As all entities are a party to the deed or are fully controlled by an entity that is a party to the deed the income statement and balance sheet information of the combined class-ordered group is equivalent to the consolidated information presented in this financial report.

The parent entity has provided a corporate guarantee to secure the funding facility of the zipMoney 2017-2 Trust as at 30 June 2019 and 30 June 2018.

Contingent liabilities

Other than reported in the financial statements, the parent entity had no other contingent liabilities as at 30 June 2019 and 30 June 2018.

Notes to the Financial Statements

Continued

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019 and 30 June 2018.

Note 28: Interest in Subsidiaries

a. Ultimate parent

Zip Co Limited is the ultimate parent entity and the parent entity of the consolidated entity from a legal perspective.

b. Corporate structure

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

NAME	PRINCIPAL PLACE OF BUSINESS/COUNTRY OF INCORPORATION	OWNERSHIP INTEREST 30 JUNE 2019 %	OWNERSHIP INTEREST 30 JUNE 2018 %
Legal parent			
Zip Co Limited	Australia		
Legal subsidiaries			
zipMoney Payments Pty Ltd	Australia	100%	100%
zipMoney Trust 2017-1[1]	Australia	100%	100%
zipMoney Trust 2017-2[1]	Australia	100%	100%
zipMoney Holdings Pty Ltd	Australia	100%	100%
zipMoney Securities Limited	Australia	100%	100%
Pocketbook Holdings Pty Ltd	Australia	100%	100%
Pocketbook Australia Pty Ltd	Australia	100%	100%
Pocketbook Technologies Pty Ltd	Australia	100%	100%
zipMoney Payments (NZ) Limited	New Zealand	100%	100%

1. Ownership is through zipMoney Payments Pty Ltd, which is both the Participation Unitholder and Residual Unitholder of zipMoney Trust 2017-1, and zipMoney Trust 2017-2.

Note 29: Share-Based Payments

In August 2017, the Board granted 1,690,000 ordinary shares to its employees for their contribution to the performance of the consolidated entity. These shares were valued at $0.76, vest immediately at grant date and were issued under the Employee Short Term Incentive Plan.

During the financial year ended 30 June 2018, 285,715 zero price options were issued to employees under the consolidated entity's Short Term Employee Incentive Plan. These options were valued at the market price on the date of issue $0.87. Accordingly, an option expense of $248,572 was recognised in the year to 30 June 2018.

In August 2018, the Board granted 2,186,126 ordinary shares to its employees for their contribution to the performance of the consolidated entity. These shares were valued at $1.025, vest immediately at grant date and were issued under the Employee Short Term Incentive Plan.

In February 2019, the Board issued 2,750,000 performance rights to executive Directors and management for no consideration under the consolidated entity's Long Term Employee Incentive Plan. The performance rights were valued using the Monte Carlo simulation model and an expense of $101,137 was recognised in the year to 30 June 2019. The performance rights have a nil exercise price and vest on the achievement of Total Shareholder Return hurdles and time based hurdles over the period from the date of grant to the assessment dates. The assessment dates are up to 3, 4, and 5 years from the date of grant.

In September 2019, the Board granted 884,824 ordinary shares to its employees for their contribution to the performance of the consolidated entity. These shares were valued at $3.43, vest immediately at grant date and were issued under the Employee Short Term Incentive Plan.

Note 30: Subsequent Events

As noted in Note 16, in July 2019 the consolidated entity agreed an increase of $100.0 million in its available zipMoney Trust 2017-1 facility commitments with financier NAB.

The Group progressed the launch of the Zip Master Trust during the financial year and on 29 July 2019 mandated the National Australia Bank to arrange a series of ABS investor meetings for the establishment of the Trust. On 19 August 2019, NAB launched a transaction to secure $400.0 million in debt funding that was subsequently increased to $500.0 million. The transaction settled on 5 September 2019. And following settlement, the Group's total facilities available to fund receivables totalled $1,006.5 million.

On 20 August 2019 the consolidated entity announced it had entered into an agreement, subject to shareholder approval, to acquire 100% of the share capital of PartPay Limited a New Zealand based Group with operations in New Zealand, the United Kingdom and South Africa. In addition, PartPay Limited has an investment in QuadPay Inc a New York based organisation. PartPay Limited and QuadPay Inc operate in the Buy Now Pay Later industry in their respective geographies. The acquisition comprises an upfront consideration of NZ$50.8 million, and a further NZ$15.0 million over the next two years based on the achievement of certain performance based milestones relating to minimum transaction volumes on the PartPay platform being achieved. The acquisition will be settled through the issue of shares in Zip Co Limited and is subject to shareholder approval at a general meeting. The initial issue of shares will be at $2.76, a 5% discount to the 10 day VWAP up to and including the execution date of the Share Purchase Agreement 19 August 2019.

The consolidated entity also announced on 20 August 2019 it had entered a subscription agreement to invest approximately US$11.4 million in QuadPay Inc, which, when combined with Part Pay's existing investment will result in the consolidated entity having a 15% shareholding in QuadPay Inc. The investment of US$11.4 million will be settled in cash.

On 6 September 2019, the consolidated entity announced it had entered into an agreement to buy the Australian and New Zealand based operations of global SME lending provider Spotcap Global. The acquisition involves a total consideration of $8.825 million to be settled through the issue of new shares.

In September 2019, the Board granted 884,824 ordinary shares to its employees for their contribution to the performance of the consolidated entity. These shares were valued at $3.43, vest immediately at grant date and were issued under the Employee Short Term Incentive Plan.

There have been no other material items, transactions or events subsequent to 30 June 2019 which relate to conditions existing at that date and which require comment or adjustment to the figures dealt with in this report.

Directors' Declaration

The Directors declare that in the Directors' opinion:

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable
- 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 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 give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
- the Directors have been given the declarations required by section 295A of the *Corporations Act 2001.*

At the date of this declaration, the Company is within the class of companies affected by ASIC Corporations (Wholly owned Companies) Instrument 2016/785. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the Company and the companies to which ASIC Corporations (Wholly owned Companies) Instrument 2016/785 applies, as detailed in Note 27 to the financial statements will, as a group, be able to meet any liabilities to which they are, or may become, subject because of the deed of cross guarantee.

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,

Larry Diamond
Managing Director & Chief Executive Officer

26 September 2019

Independent Auditor's Report To The Members

Deloitte.

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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 2019, 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 a summary of significant accounting policies, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

(ii) complying with Australian Standards and the *Corporations Regulation 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We 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.

Independent Auditor's Report To The Members

Continued

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Key Audit Matters	How the scope of our audit responded to the Key Audit Matters
Effective interest rate Revenue recognition is calculated using the effective interest rate ('EIR') method under AASB 9 Financial Instruments ('AASB 9'). Under AASB 9, when calculating the effective interest rate, the Group shall estimate the expected cash flows by considering all the contractual terms of the loan receivables but shall not consider the expected credit losses. As at 30 June 2019, portfolio income of $82.9m was reported as disclosed in Note 3. Portfolio income contains merchant fees, establishment fees, monthly fees and interest. The effective interest rate method was a key audit matter because it is based on a management model with a number of key estimates and assumptions including: • estimated future cash flows; and • historical repayment patterns.	Our audit procedures included, but were not limited to: • Obtaining detailed understanding of key new revenue streams, products and offerings. • Assessing the accounting policies adopted by management in respect of revenue. • Considering the appropriate treatment of revenue recognition in accordance with *AASB 9 Financial Instruments* (AASB 9) and *AASB 15 Revenue from contracts with customers* (AASB 15). • Assessing the key internal controls over the capture and measurement of revenue transactions. • Assessing the appropriateness of key assumptions used in the revenue recognition model, including the estimated future cash flows and the expected life of the customer receivables balance. • Agreeing a sample of revenue transactions to underlying signed agreements and bank statements; • Assessing the appropriateness of any revenue recognition adjustments made by management in accordance with the accounting standards;; • On a sample basis, recalculating interest income under the effective interest rate method; and • Reviewing the adequacy of the related disclosures in the financial report in respect of the presentation of interest income and loan receivables under AASB 9.
Expected credit loss provisioning AASB 9 Financial Instruments was a new and complex accounting standard which was adopted in the year and which required considerable judgement and interpretation in its implementation. The standard required a new basis of providing for loan loss on an expected credit loss ('ECL') basis. The development of new models to measure the 'expected credit losses' involves significant judgements and assumptions made by management. Expected credit losses require assessment on a forward-looking basis that includes an overlay to reflect management's view of potential future economic events and model risk. As at 30 June 2019, the carrying value of Customer Receivables recorded was $647.5m, including a provision for expected credit loss of	Our audit procedures included, but were not limited to: • Obtaining a detailed understanding of credit judgments made by management in the core AASB 9 models; • Testing the key controls relating to customer loan approval processes and identification of overdue amounts; • Testing the data inputs in calculating the probability of default roll rates to assess reasonableness; • Assessing the reasonability of management's key assumptions and recent historical recovery data used in determining loss given default and lifetime expected loss period; • Agreeing a sample of loan information to source documents; • Evaluating the appropriateness of the modelling policy and methodology used for the customer receivable portfolio with reference to the relevant accounting standards and market practices; • Testing model calculations through re-performance;

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Key Audit Matters	How the scope of our audit responded to the Key Audit Matters
$25.6m, as disclosed in Note 9. We considered expected credit loss provisioning a key audit matter because: • the models used to calculate ECLs are inherently complex and judgement is applied in determining appropriate assumptions in the model • judgement is applied in determining the most appropriate information and datasets to be used as inputs	• Obtaining evidence to support management's judgements in respect of calculation methodologies, economic factors and judgmental overlays, the period of historical loss rates used, loss emergence periods, cure rates for impaired loans, and the historical experience of recoveries on distressed loans; and • Reviewing the adequacy of the related disclosures in the financial report in respect of the accounting policy for impairment under AASB 9.

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 2019, 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the 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 has 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.

Independent Auditor's Report To The Members

Continued

Deloitte.

- 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.

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

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

From the matters communicated 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 34 to 42 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Zip Co Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Deloitte.

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

Mark Lumsden
Partner
Chartered Accountants
Sydney, 26 September 2019

Shareholder Information

The shareholder information set out below was applicable as at 17 September 2019.

DISTRIBUTION OF EQUITABLE SECURITIES

Analysis of number of equitable security holders by size of holding

RANGE	NUMBER OF HOLDERS OF ORDINARY SHARES	NUMBER OF HOLDERS OF UNQUOTED OPTIONS PRICE $0.50, EXPIRY 05.12.2019	NUMBER OF HOLDERS OF UNQUOTED OPTIONS PRICE $0.70, EXPIRY 05.12.2019
1 to 1,000	6,943	–	–
1,001 to 5,000	5,074	–	–
5,001 to 10,000	1,440	–	–
10,001 to 100,000	1,492	–	–
100,001 and over	164	1	1
Total	**15,113**	**1**	**1**
Holding less than a marketable parcel	337	–	–

RANGE	NUMBER OF HOLDERS OF UNQUOTED PERFORMANCE RIGHTS, VESTING 15.02.2022	NUMBER OF HOLDERS OF UNQUOTED PERFORMANCE RIGHTS, VESTING 15.02.2023	NUMBER OF HOLDERS OF UNQUOTED PERFORMANCE RIGHTS, VESTING 15.02.2024
100,001 and over	2	2	2
Total	**2**	**2**	**2**
Holding less than a marketable parcel	–	–	–

RANGE	NUMBER OF HOLDERS OF UNQUOTED PERFORMANCE RIGHTS, VESTING 15.09.2021	NUMBER OF HOLDERS OF UNQUOTED PERFORMANCE RIGHTS, VESTING 15.09.2022	NUMBER OF HOLDERS OF UNQUOTED PERFORMANCE RIGHTS, VESTING 15.09.2023
100,001 and over	4	4	4
Total	**4**	**4**	**4**
Holding less than a marketable parcel	–	–	–

RANGE	UNLISTED PERFORMANCE SHARES	NUMBER OF HOLDERS OF UNQUOTED UNLISTED OPTIONS, VESTING 10.08.2019	NUMBER OF HOLDERS OF UNQUOTED UNLISTED OPTIONS, VESTING 10.08.2020
100,001 and over	1	1	1
Total	**1**	**1**	**1**
Holding less than a marketable parcel	–	–	–

RANGE	NUMBER OF HOLDERS OF UNQUOTED UNLISTED OPTIONS, VESTING 10.08.2021	NUMBER OF HOLDERS OF UNQUOTED UNLISTED OPTIONS, VESTING 10.08.2022
100,001 and over	1	1
Total	**1**	**1**
Holding less than a marketable parcel	–	–

EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	ORDINARY SHARES	
	NUMBER HELD	% OF TOTAL SHARES ISSUED
DIAMOND VENTURE HOLDINGS PTY LTD <DIAMOND FT A/C>	60,942,344	17.31
WESTPAC BANKING CORPORATION	55,195,164	15.67
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	19,018,348	5.40
CITICORP NOMINEES PTY LIMITED	18,668,629	5.30
MR PETER JOHN GRAY	19,293,370	5.48
UBS NOMINEES PTY LTD	13,701,829	3.89
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	7,582,504	2.15
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	6,853,290	1.95
CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	6,694,537	1.90
MR ADAM MARC FINGER	5,516,158	1.57
ACN 163 625 198 PTY LTD <SR-71 A/C>	4,977,382	1.41
BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	3,702,246	1.05
LIQUIDITY GROUP PTY LIMITED <THE LIQUIDITY A/C>	3,500,000	0.99
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	2,957,148	0.84
P D CRUTCHFIELD PTY LTD <CRUTCHFIELD SUPER FUND A/C>	2,501,490	0.71
NATIONAL NOMINEES LIMITED	2,144,876	0.61
A C N 163 625 054 PTY LTD <FERNHILL A/C>	2,097,791	0.60
MR PHILIP DAVID CRUTCHFIELD	2,001,490	0.57
BNP PARIBAS NOMS PTY LTD <DRP>	1,581,050	0.45
ECAPITAL NOMINEES PTY LIMITED <ACCUMULATION A/C>	1,326,608	0.38
Total	**240,256,254**	**68.23**

Shareholder Information

Continued

Unquoted equity securities

	NUMBER ON ISSUE	NUMBER OF HOLDERS
Unlisted Options Price $0.50, Expiry 05.12.2019	150,000	1
Unlisted Options Price $0.70, Expiry 05.12.2019	150,000	1
Unlisted Performance Shares	20,000,000	1
Unlisted Performance Options Vesting 10.08.2019	1,960,000	1
Unlisted Performance Options Vesting 10.08.2020	1,960,000	1
Unlisted Performance Options Vesting 10.08.2021	1,960,000	1
Unlisted Performance Options Vesting 10.08.2022	1,960,000	1
Unlisted Performance Rights Vesting 15.02.2022	406,666	2
Unlisted Performance Rights Vesting 15.02.2023	406,666	2
Unlisted Performance Rights Vesting 15.02.2024	406,668	2
Unlisted Performance Rights Vesting 15.09.2021	510,000	4
Unlisted Performance Rights Vesting 15.09.2022	510,000	4
Unlisted Performance Rights Vesting 15.09.2023	510,000	4

The following persons holds 20% or more of unquoted equity securities:

NAME	CLASS	NUMBER HELD
MR PHILIP DAVID CRUTCHFIELD	Unlisted Options Price $0.50, Expiry 05.12.2019	150,000
MR PHILIP DAVID CRUTCHFIELD	Unlisted Options Price $0.70, Expiry 05.12.2019	150,000
OZTRAL EQUITIES PTY LTD <AUSTRAL EQUITIES UNIT A/C>	Unlisted Performance Shares	20,000,000
WESTPAC BANKING CORPORATION	Unlisted Performance Options Vesting 10.08.2019	1,960,000
WESTPAC BANKING CORPORATION	Unlisted Performance Options Vesting 10.08.2020	1,960,000
WESTPAC BANKING CORPORATION	Unlisted Performance Options Vesting 10.08.2021	1,960,000
WESTPAC BANKING CORPORATION	Unlisted Performance Options Vesting 10.08.2022	1,960,000

SUBSTANTIAL HOLDERS

Substantial holders in the Company are set out below based on the shares disclosed as held from the last Form 604 lodged by the shareholder:

	ORDINARY SHARES NUMBER HELD
Mr Larry Diamond + Mrs Ashlyn Diamond Diamond Venture Holdings Pty Ltd <Diamond Unit A/C>	61,445,778
Westpac Banking Corporation	55,195,164
Mr Peter John Gray	19,293,370

VOTING RIGHTS

Voting rights are as set out below:

Ordinary shares:

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.

Options:

All quoted and unquoted options do not carry any voting rights.

ASX LISTING RULE 3.13.1 AND 14.3

The Annual General Meeting is scheduled to be held on 28 November 2019.

ASX LISTING RULE 4.10.3

The corporate governance statement that meets the requirements of this rule is located on the Company's website: http://zipmoneylimited.com.au/corporate-governance.html

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Corporate Directory

DIRECTORS

Philip Crutchfield (Chairman)

Larry Diamond (Managing Director, CEO)

Peter Gray (Executive Director, COO)

Dianne Challenor (Non-Executive Director)

John Batistich (Non-Executive Director)

COMPANY SECRETARY

David Franks

REGISTERED OFFICE

Level 5
126 Phillip Street
Sydney, NSW, 2000
Website: www.zip.co

SECURITIES EXCHANGE LISTING

ASX Code: Z1P

AUDITORS

Deloitte Touche Tohmatsu
Grosvenor Place, 225 George 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@zipmoney.com.au

Annual Report 2019

INVESTOR ENQUIRIES

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investors@zipmoney.com.au

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Sydney NSW 2000

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