Taking control of our future.

ANNUAL REPORT 2022

This report is part of our suite of reporting for the 2022 financial year. You can find more information about our performance in our Full Year Results Investor Presentation.

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Who we are and why we exist

OUR PURPOSE

Create a world where people can live fearlessly today, knowing they're in control of tomorrow.

OUR MISSION

To be the first payment choice, everywhere and every day.

WHY WE EXIST

We have the opportunity to rebalance the payments landscape, putting people, not financial institutions, in the centre.

We make money by bringing customers and merchants together in a way that provides value for both by providing simple, fair and transparent products and services. We give people the knowledge, access and ability to control their financial lives, because we believe that when people are in control of tomorrow, they can live fearlessly today.

That belief extends to our own people. We give Zipsters the access and support they need to be fearless. When Zipsters act without fear they create a better world for themselves, our customers, merchants and our communities.

VALUES

We're proud to be a values-led business. Our values guide us in everything we do – how we work together and create game-changing experiences for our customers and fellow Zipsters.

CUSTOMER FIRST

Put our customers and merchants at the centre of everything we do.

OWN IT

See a problem, own the solution. We make decisions and commit, aligning our work to Zip's highest priorities.

CHANGE THE GAME

Cross new boundaries. Experiment, ship, iterate and repeat to reach the best outcome for everyone.

STRONGER TOGETHER

Think 'we' not 'me'.
We collaborate across Zip to bridge divides and achieve common goals.

FY22 Highlights

FY22 SNAPSHOT

$8.7b
TOTAL TRANSACTION VOLUMES (TTV) UP 51%

11.4m
CUSTOMERS UP 56%

90,700
MERCHANTS UP 77%

$620.0m
REVENUE UP 57%

2.3%
CASH NET TRANSACTION MARGIN

▲7.1%
REVENUE MARGIN UP FROM 6.8%

$203.7m
CASH GROSS PROFIT UP 12%

FY22 OPERATING HIGHLIGHTS

Increasing customer engagement
In FY22, we added 4.1 million net new customers to the Zip platform. Customer engagement has continued to rise led by the adoption of the Zip App which has an App store rating of 4.9 (across the US and AU).

More value for merchants
We onboarded a significant number of new enterprise merchants in core markets including Top 100 US Retailers Best Buy and Bed Bath & Beyond in the US, and Qantas and Virgin in Australia. Our merchant partners directly benefit from the increase of 56% more customers on the Zip platform.

Balance sheet strength
Zip remains well funded with sufficient cash and liquidity, to deliver on group cash EBTDA profitability in FY24.

Sustainability and social impact
We extended our measurable objectives for gender balance to 40% women/40% men/20% any gender at all employee levels, including for our Executive team and the Board by FY26. We also continued our community partnering with Women Who Code and The Pinnacle Foundation and maintained a strong focus on employee health and wellbeing.

Chair's Report

DEAR SHAREHOLDER,

As I reflect on the past 12 months, it is clear that FY22 has been another year of significant growth for Zip in terms of revenue, customer and merchant numbers. This has also been a period of consolidation for Zip in the face of geopolitical crises, continued COVID-19 impacts, economic uncertainties, and market turbulence.

Zip has sharpened its focus on two areas. First enabling customers and merchants to navigate this challenging time and second to better position the business to deliver on our strategic priorities. Zip continues to help support merchants by enhancing the way they interact with the consumer.

In a rising interest rate and inflationary environment, giving consumers a zero-interest payment option that enables spreading costs over time remains an attractive proposition. Over the past year, however, a combination of both internal and external factors contributed to credit losses increasing outside our targeted range. Management moved to adjust risk settings with both new and existing customers to lower credit losses back to target levels. Due to our product construct and short recycling of the loan book we have seen immediate improvements in portfolio management and collections.

In FY22, we continued expansion into geographies outside ANZ and the US as part of our global growth strategy. While we still believe BNPL is globally relevant, the market significantly shifted in the second half of the year, requiring a review of strategy. An assessment of the current market conditions has meant that we must be more judicious with our investments and reflect on whether they can contribute towards our pursuit of positive group cash flow. Even facing global headwinds, Zip remains the right company, with the right product, at the right time with a clear plan and focused strategy.

In April Zip successfully raised $172.7 million through a fully underwritten institutional placement and share purchase plan, providing the Company with the capital to progress our strategic priorities. The focus for Zip is on becoming self-sufficient, and the Board and management team has acted decisively, choosing to refocus on Zip's core markets of ANZ and the US. As BNPL penetration in ANZ and US sits well below 2% of the total addressable market[1], Zip is well placed to claim meaningful share.

During the year, Zip also announced the acquisition of Sezzle as part of the US strategy. Given the changes to the broader macroeconomic environment and market conditions since signing, we believed it to be in the best interests of the Company and shareholders to mutually agree to terminate the proposed transaction.

1. Total addressable market represented by total payment value for Australia, New Zealand and the US in 2021. Source Worldpay 2022.

> "Even facing global headwinds, Zip remains the right company, with the right product, at the right time with a clear plan and focused strategy."

As a Board, we continue to devote time to developing robust governance frameworks that guide the business as it scales without hindering innovation and speed. We have always been proactive in terms of our approach to our obligations and are attuned to the regulatory environment. Zip supports appropriate, fit-for-purpose regulatory changes. Given our approach, this may give us an additional operating advantage. Responsible lending and real care for the consumer has always been in our DNA, reflected in our actions to conduct credit and affordability checks on our customers.

Zip's people-centred culture of innovation is a key point of differentiation for our business. This year has seen the impact of continued investments in our capabilities contributing to our resilience and competitive positioning. While Zip reduced headcount in the second half of FY22 in line with a desire to reduce our global cost base, this also removed duplication and made our organisation simpler and more efficient. We also recruited, redeployed and retained talent in key areas that required additional focus. This year we welcomed Cynthia Scott as Managing Director for the ANZ business. It is the first time we have appointed a dedicated lead to our core operating region. Cynthia's extensive experience and drive has already paid dividends.

Zip knows that businesses with greater diversity achieve improved long-term outcomes. Though we have taken many steps including implementing a global strategy for Diversity, Equity and Inclusion there is still more to do.

I am pleased that this year we reviewed and extended our measurable objectives for gender diversity to 40% women/40% men/20% any gender at all levels, including for our Executive Team and the Board. We have made steady progress towards these targets and our Sustainability Report which is found later in the Annual Report outlines the breadth of our activities.

To the Directors and management team, thank you for your clear thinking and decisive actions. I would like to thank Pippa Downes for her contribution to the Zip Board and welcome Meredith Scott. To our Zipsters, your hard work, character and commitment directly improves our business. To our Shareholders, thank you for your ongoing support of our business. I trust you see the great potential in Zip's future.

There are exciting opportunities ahead. I am pleased with how the team is executing on its plan to support our mission and drive long-term shareholder value. The past nine years of unprecedented growth is just the beginning of the Zip journey. For Zip, FY23 has the potential to be another year of great achievements.

Diane Smith-Gander AO

Chair

CEO's Report

"We have increased our focus on ANZ, where we are currently cash flow positive, and the US, where there is a clear path to being cash flow positive in the near term."

DEAR FELLOW SHAREHOLDERS,

It is important to reflect on how rapidly the world is changing. There are continued impacts from COVID-19; war is deeply affecting Ukraine and its neighbours; inflation is rapidly emerging in major economies; and interest rate rises are being felt by consumers.

Against this backdrop of tremendous uncertainty, we at Zip are responding to the rapid change in market dynamics. We started the year executing on our global growth strategy. Though we are now a large company we remain agile and nimble. In line with this, we have proactively adjusted our strategy with a refined focus on sustainable growth, strong unit economics and cost management. This focus allows us to fast-track profitability and we have taken decisive actions aligned with these strategic priorities.

We have increased our focus on ANZ, where we are currently cash flow positive, and the US, where there is a clear path to being cash flow positive in the near term. We are well positioned in these markets and continue to build deeper relationships with our customers and merchants.

We also recognise larger financial institutions are entering the market, demonstrating that our product offering is resonating with consumers. There is substantial potential for fast and significant adoption with Zip at the forefront of this wave. We will continue to devote resources to support our objective of sustainable growth and building a profitable business at scale.

This year we have welcomed onto the Zip platform major brands such as Best Buy, Bed Bath & Beyond, Qantas and Virgin Australia. This expands our presence to over 90,000 merchants across electronics, homewares, travel and for everyday spend categories and demonstrates that we are not solely reliant on the traditional discretionary spend verticals of fashion and beauty.

Our ongoing product development continues to provide significant value and benefits to our customers, such as enhancing the experience of being able to shop anywhere with Zip Money and the ability to redeem rewards in store in Australia.

In the US, we made changes to lift our innovation and product engineering capabilities, including welcoming a Global CTO and launching a physical card which is key to unlocking the large addressable instore opportunity. This also provides support to our merchant partners seeking to drive continued growth through new customer acquisition and higher value purchases.

While we have made several investments in BNPL companies in key territories worldwide, competition is more intense than ever with several companies entering the market. BNPL in these markets remains attractive though during FY22 we reduced our focus on non-core markets in line with our refocused strategy. A focus on markets which are already cash flow positive or will be in the near-term, has allowed us to simplify our organisation and increase management focus on core territories. A strategic review of our Rest of World businesses is underway.

Despite the complexity of navigating these challenges, it has been a year of continued growth with Zip processing transaction volumes of almost $9 billion (up 51%) and revenue of $620.0 million (up 57%). We ended FY22 with 11.4 million customers and over 90,000 integrated merchants globally. Our core customer base is transacting more often with the top 20% of Australian customers transacting over 70 times per year.

With interest rates and inflation rising, we are on the side of the consumer by providing a better and fairer digital alternative to the credit card. We help individuals better manage their finances by offering a zero-interest payment option. This benefit is highlighted in the accelerating rate of adoption by consumers – In FY22 we grew customer numbers by 56%. We continue to receive positive customer reviews and feedback about how Zip helps them budget and is simple, transparent and easy to use. Importantly, our rapid repayment cycle is also more resilient than other consumer credit businesses, allowing us to rapidly adjust our risk settings and minimise losses with dynamic portfolio management. Our differentiated two-sided revenue model also resonates with merchants providing us with the flexibility to maintain our margins in a rising inflation and interest rate environment.

The past 12 months has made it clear that a focused, agile business, guided by its purpose and mission can emerge stronger from challenging times. This year saw us pivot to accelerate our path to profitability as market conditions shifted.

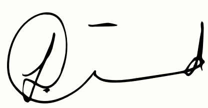
Responding to the current operating environment required unified, company-wide alignment of our thinking, culture and focus. The rapid shift in the external environment also saw us mutually agree to terminate the proposed merger agreement with Sezzle with both businesses opting to focus on their core strategy and we wish the Sezzle team all the best in FY23.

As we look to FY23, we continue to execute on our strategy at pace, building on the momentum we have achieved this year. We have bolstered the global executive team to better handle both regional and functional execution. Among our hires this year, we welcome Cynthia Scott (ex Scentre Group, Foxtel, Telstra) who joined as Managing Director for ANZ, Ahu Chhapgar (ex-PayPal, Mastercard, Citi) who joined as Global Chief Technology Officer and Ram Muthaiyan as US Chief Credit Officer (with 17 years' experience from JP Morgan).

While our near-term focus on profitability has tempered our top-line growth rate, the continued growth of the business across all key metrics in the face of significant external challenges proves the resilience of the Zip business. In the US alone, the addressable market is estimated to be over $10 trillion and BNPL penetration is still under 2%[1]. This demonstrates the significant size, and early stage of the BNPL opportunity that we are positioned to capture.

We remain as driven as ever to achieve the best long-term outcomes for our customers, merchants and deliver long-term shareholder value. A significant portion of the management team and the employees' remuneration is tied to the share price, and we feel these movements alongside our loyal investor base.

We are well funded and positioned to execute on our strategy and the significant market opportunity as we aim to take control of our future. I thank everyone connected with Zip for their tireless and valuable contribution. The dedication and execution by our Zipsters, the focus of our leadership team, and guidance of our Board sees us well placed to meet the challenges and capitalise on the opportunities going into FY23.



Larry Diamond

Global Chief Executive Officer
and Managing Director

1. Total addressable market represented by total payment value for the US in 2021. Source Worldpay 2022

Our FY22 Strategy

We started FY22 executing on our global growth strategy and our four main strategic priorities:

Deepen customer engagement

Deliver more value to merchants

Accelerate global expansion and international growth

Uplift the knowledge, capability and diversity of our Zipsters

As the external environment and market conditions rapidly shifted, we proactively adjusted our strategy.

At the HY22 results, we announced a refreshed strategy with a plan to deliver on sustainable growth in our core markets, strong unit economics and improved cost management, to drive us towards group profitability during FY24.

THE THREE PILLARS OF OUR REVISED STRATEGY WERE:

GROWTH

Continue to pursue sustainable growth in our core markets, pursue enterprise merchant partnerships and strengthen our balance sheet. Specifically, in the US this included targeted investments to grow and scale a substantively untapped market for BNPL and accelerate our path to profitability. In ANZ, this included delivering new products and services to our highly engaged customer base.

UNIT ECONOMICS

Improve unit economics by taking actions to improve cost of sales performance through a reduction in credit loss rates, increasing the velocity of repayments and leveraging scale.

COST MANAGEMENT

Undertake a review of our global presence and right-size our global cost base, reducing duplication and non-core functions in line with our aim to achieve cash EBTDA profitability as a group during FY24.

FY22 Business Review

This has been a year of continued strong growth. We have reviewed and refined our priorities with a focus on accelerating our path to profitability and have made progress with our three strategic priorities – sustainable growth, unit economics and cost management.

GROWTH IN CORE MARKETS

FOCUS ON CORE MARKETS ANZ AND US

Australia is a maturing market for our products. We have a robust and sustainable model that has now delivered four years of positive cashflow, with a record profit this year demonstrating the profitability and success of the business at scale.

We remain focused on reaching new customers, and in ANZ we signed up approximately 400,000 net new customers during FY22 to grow to 3.2 million customers as we expanded into new verticals through the new merchant integrations. Engagement also continues to deepen reflecting our versatile product set in this market. More than 20% of Australian customers adopted both Zip Pay and Zip Money within six months of joining[1], and monthly users transacted on average four times in June alone.

Growth in our core US market is a high priority and this is a market where we have a clear and near-term path to achieving positive cash flow. At the end of FY22 we had 6.4 million customers (up 45% YoY), $4.1 billion in transaction volumes and following our global rebrand, the US business experienced a 10% uplift in brand awareness, demonstrating our continued growth in this market.

1. Based on the December, 2021 cohort.

"Growth in our core US market is a high priority and this is a market where we have a clear and near-term path to achieving positive cash flow."

In the US, we will be further expanding our instore processing capabilities following the launch of our physical card.

The US is on a path to positive cashflow and continues to scale at pace, with key shopping events driving new and returning customers to the Zip app. 218,000 unique customers transacted in the Zip app throughout the four day Black Friday Cyber Monday shopping event, with 60,000 new customers transacting and nearly 80,000 new app installs. In FY22, the top 10% of app customers were also transacting approximately 40 times per annum. BNPL penetration remains low countrywide at less than 2% of the addressable market[2], and increasing this penetration provides a significant growth opportunity.

NEW ENTERPRISE MERCHANTS

We continue to onboard iconic brands in both ANZ and the US which will drive top-line growth. We have signed new enterprise merchants including Best Buy, Bed Bath and Beyond, eBay AU, JB Hi-Fi, Footlocker, Under Armour, Nespresso, Qantas, Virgin Australia, Culture Kings and many more. In FY22, we launched in several new categories, such as travel and expanded our presence in electronics and homewares. Over 90 thousand (up 77% YoY) merchants are now integrated with Zip.

2. Total addressable market represented by total payment value for the US in 2021. Source Worldpay 2022.

INCREASED CUSTOMER ENGAGEMENT

Our continued focus on innovation is driving customer engagement. More transactions and data allow us to provide insights and an increasingly personalised experience leading to more transactions and increased lifetime value. This is enabled by the full breadth of checkout options we offer including online checkout, App, Virtual Card, Tap & Zip and Physical Card (US only). During FY22, we also integrated Zip technology within Microsoft Edge to create a more seamless shopping experience for our customers.

In Australia, we have improved personalisation in our rewards offering based on additional customer feedback and transaction loops, delivering value to customers via initiatives such as personalised instore rewards. Through our new partnership with Qantas we are also providing customers the ability to use Zip and earn Qantas Points. The top 20% of ANZ customers are transacting 70 times per year, and each year a customer uses Zip the more embedded we become as a preferred payment option.

In the US, NPS for new customers was +55 for the six months to June 2022, with 74% of new users likely to recommend Zip. Though the physical card has just entered the US market, it has already resonated strongly with our customers, significantly enhancing the number of places and categories they can use Zip.

BALANCE SHEET STRENGTHENED TO SUPPORT GROWTH

Our balance sheet is strong with available cash and liquidity of $278.6 million as of 30 June 2022. With our current plan, we believe this is sufficient capital to see us through to group positive cash flow. We also have significant capacity to grow receivables with funding headroom of $396.9 million in AU and US$183.1 million in the US of undrawn lines as of 30 June 2022.

During the year, Zip also issued its first primary issuance under the Master Trust with an S&P AAA rating on its Australian Master Trust facility reflecting historical receivables performance.

FY22 Business Review
Cont.

IMPROVE UNIT ECONOMICS

ROBUST REVENUE MARGINS

Revenue margins lifted to 7.1% with our revenue model outperforming Zip's peers demonstrating the resilience of our two-sided revenue model. We experienced growth in higher margin products such a Zip Money and the Zip US app and also implemented consumer repricing initiatives in Australia. Strong revenue margins ensured the cash transaction margin remained healthy at above 2%.

REDUCE CREDIT LOSS RATES

Declines in the FY22 cash transaction margin reflected increased bad debt costs largely driven by internal risk settings, external factors in the US, and performance in emerging markets. Zip has implemented actions to improve credit performance, including adjusting risk settings and decisioning policies for new customers, tightened credit limit management for existing customers, increasing payment flexibility for customers, and improving its collections and recoveries processes. These actions have had an immediate effect on credit performance with late June cohorts expected to deliver a loss rate of 2.2% in the US, and losses now trending towards the target range in AU.

OPTIMISE REPAYMENTS, MITIGATING INTEREST RATE RISES

We acknowledge the rising interest rate environment but remain well-placed to mitigate this impact with a fast recycling period on our receivables and a number of levers at our disposal to maintain margins. Interest costs as a percentage of TTV improved 20 basis points in FY22 driven by reduced rates on our US and Australian facilities and faster book recycling driven by US pay-in-4 volumes.

The US business is also particularly well-placed to mitigate against interest rate rises with the structure and short duration of our instalment product (for example, in the US a ~25 basis points increase in base rate increases cost of funds by ~2 basis points per transaction).

OPTIMISE GLOBAL COST BASE

RIGHT-SIZE COST BASE

We are allocating capital and resources in line with our strategy, to our core markets of ANZ and US, and where we see the most significant opportunity for profitable growth in the near term, in line with accelerating our path to profitability. We are currently conducting a strategic review of our global footprint.

Consistent with this approach, during the year we restructured our global organisation to realise efficiencies, and create a leaner operation, and made proactive changes to reduce our global cost base. The actions involved an internal reorganisation to reduce complexity and to support more efficient growth in the core ANZ and US markets. We expect these actions to deliver benefits to global people costs of approximately $30 million in FY23 (on H2 FY22 run rates), with further room for cost efficiencies as we execute with a more simplified and focused strategy.

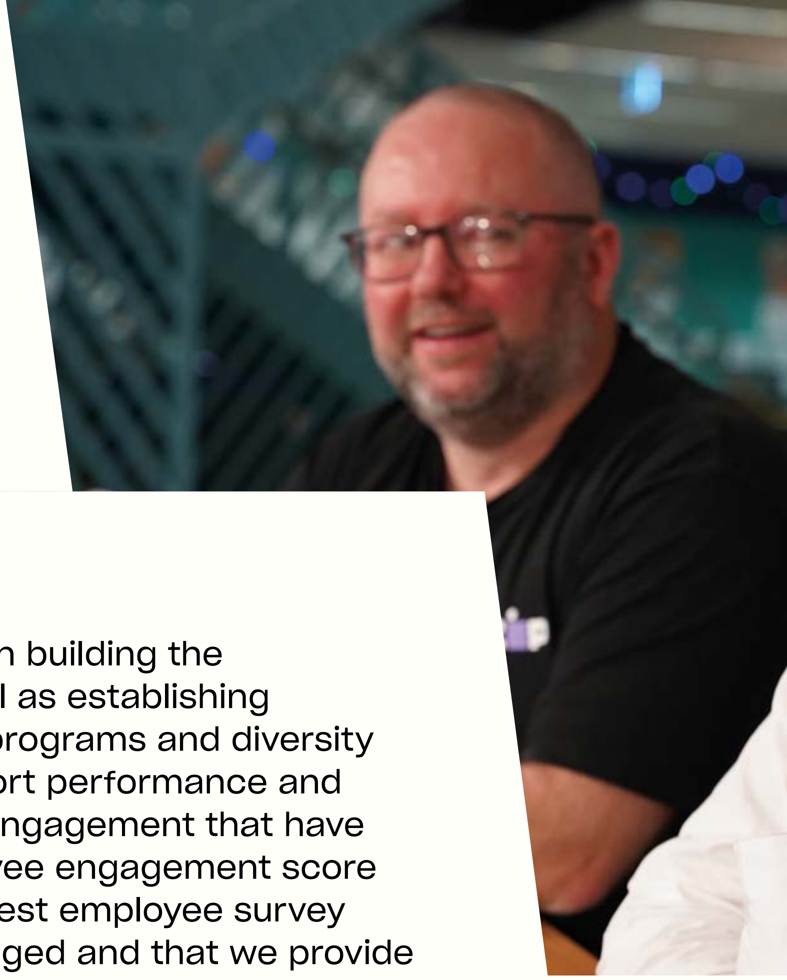
In ANZ, it also led to a prioritisation of resources towards core products, and we made the decision to discontinue our Zip Business products, Trade and Trade Plus, and deprioritise previously planned new financial services products (such as crypto and investment products).

GLOBAL FOOTPRINT REVIEW TO REDUCE CASH BURN

Consistent with our focus on core markets, we reviewed our capital allocation and resources across our global footprint and are increasing our focus and investment on markets which are either already profitable or have a near and clear path to profitability to accelerate the group's path to profitability and deliver greater value for shareholders.

Specifically, at the end of FY22, Zip decided to close its Singapore business and in August also made the decision to close its UK operations, consistent with the aim to reduce group cash burn. We are continuing to consider options for the other Rest of World businesses as part of our strategic review. To reflect current market conditions and the reallocation of investment capital across the group, we also took a one-off impairment charge relating to our investments in the US, UK, Spotii and Twisto.

People & Culture



Over the last 12 months, we focused on building the capability of our senior leaders, as well as establishing career development plans, wellbeing programs and diversity initiatives. This has been both to support performance and maintain the high levels of employee engagement that have defined our culture. Our overall employee engagement score in FY22 was healthy at 80% and our latest employee survey shows that employees are highly engaged and that we provide a workplace that strongly supports employee wellbeing.

During the year our focus has shifted from global expansion to growth in core markets. We have been investing in lowering our operational costs, diversifying our talent and increasing internal mobility to improve productivity, efficiency and career development opportunities.

This investment coupled with a combination of hybrid and remote-first working has increased the importance of developing our people to effectively scale high performing teams. We are setting the right people foundations, creating an environment where Zipsters grow, develop and do their best work, by investing in their leaders and fostering a globally consistent culture.

FOCUS ON EMPLOYEE WELLBEING

Zip continues to recognise both our responsibility to provide a safe and inclusive working environment which enables everyone to thrive and our role in supporting wellbeing and promoting equity and inclusion in the financial technology industry. In line with this, we have maintained our strong focus on employee mental health and wellbeing, including partnering with Heart on My Sleeve (a mental health social movement that empowers people to be real about how they feel), quarterly mental health days, and broader employee benefits based on health and fitness goals in ANZ.

Our initiatives this year built on existing support and benefits we provide to our employees such as flexible work culture, paid volunteering leave and family support policies (including parental leave, miscarriage and stillbirth leave and family and domestic violence leave). During FY22, we also extended Zip's miscarriage bereavement leave to support US Zip employees to travel to obtain out of state support if required to terminate a pregnancy.

SUPPORTING OUR PEOPLE

We have invested in our people policies and processes to ensure they are compliant, relevant and up to date in a post-pandemic world. We have introduced a Global Mobility Policy and uplifted our Learning and Development Process. Our aim is to develop clear opportunities to attract talent and encourage our people to grow with the company and deliver optimal outcomes for customers.

> **Doing meaningful work with people who are engaged at work attracts individuals to Zip, motivates employees in their work and influences retention."**

INVESTING IN LEADERSHIP AND DEVELOPMENT

PEOPLE LEADERSHIP

Doing meaningful work with people who are engaged at work attracts individuals to Zip, motivates employees in their work and influences retention. We have hired experienced leaders in ANZ and the US that inspire and lead our teams. Key new leadership hires included Cynthia Scott (ANZ MD), Ahu Chhapgar (Global CTO), Ram Muthaiyan (US Chief Credit Officer) and Levi Aron (US Chief Growth Officer). Zip's leaders invest time in knowing and supporting their people, ensuring they're doing meaningful work and providing regular development feedback.

MANAGER DEVELOPMENT

We are continuing to develop resources including a manager hub, management training and development programs to improve the leadership capability of our teams and further enhance the Zipster experience. The intention is for this to be integrated into everyday workflow, not in one off moments.

At the executive level we have commenced strategic succession planning and embedded regular talent mapping in our core markets. This will ensure we grow our talent pipeline to sustain our culture, business knowledge and leadership in our core markets.

TOTAL REWARDS

We have invested in refreshing our existing job architecture and career development frameworks to be more global, robust and scalable in nature. We have also redesigned our global total rewards philosophy to be defendable, consistent and attractive to different locations and workforce segments. We are in the process of designing for broader transparency a global compensation framework and program that would allow Zip to maintain the flexibility of transfer between countries while providing employees a fair and consistent remuneration.

TECHNOLOGY AND WORKFLOW OPTIMISATION

We have invested in our people technology stack, process optimisation and people analytics in FY22 to uplift our employee experience and help leaders deliver measurable results. We are implementing actionable people analytics dashboards for our functional leaders and people partners for faster data-driven decisions. In addition to our technology stack, we are optimizing and automating all our workflows to make people processes more efficient and effective.

FY23 Priorities & Growth Outlook

Our FY23 strategy is to allocate capital and focus effort on areas of our business that demonstrate the right characteristics to accelerate our path to profitability. Specifically, we have simplified our strategy to focus on:

- Core markets ANZ and the US which are either already generating positive cash EBTDA or have a clear and near path to positive cash EBTDA; and
- Products with proven market fit and sustainable unit economics.

Our strategic initiatives remain aligned to our three strategic pillars:

1. GROWTH IN CORE MARKETS (ANZ & US)

WIN AND SCALE PROFITABLE MERCHANTS

Merchants are central to our two-sided network and a significant driver of growth and customer engagement for Zip. In FY23 we will continue to pursue new profitable merchant partnerships; drive deeper engagement and profitability with existing partners; and deliver new Zip services that help merchants drive growth.

We will continue to embed and scale recent enterprise merchant wins such as Best Buy, Bed Bath & Beyond, eBay AU and Qantas. In ANZ, improving engagement of mid-market merchants has also been identified as an opportunity. With a lens on profitability, we are also reviewing all merchant agreements, repricing where appropriate and exiting unprofitable agreements that do not align with our portfolio approach.

We will continue to make investments into our API (Application Programming Interface) infrastructure layer to make it easier for merchants and partners to integrate with Zip and innovate checkout experiences (e.g. tokenisation, express checkout) and deliver new growth solutions based on merchant demand (such as long duration lending in the US and targeted rewards and interest-free offers in ANZ).

DELIVER NEW SERVICES AND GROW HIGHER MARGIN PRODUCTS

Customers form the other key component of our flywheel. In FY23 we aim to continue growing our customer network through enhancing our core product experiences and driving increased engagement of our 11 million plus existing customers. We are investing heavily in core product experiences, including the redesign of our app, optimisation of our sign up and production adoption journeys and initiatives to drive greater checkout conversion and grow the adoption of higher margin products.

DRIVE CUSTOMER ENGAGEMENT

In late FY22 we launched the Zip physical card in the US with the aim of unlocking the significant opportunity of instore payments, and in FY23 we will be looking to scale this further. Driven by merchant demand and leveraging expertise from the Australian market, Zip will pilot a long duration lending (instalments) product in the US later in the year. This will enable Zip customers to shop with more merchants, across a broader set of verticals and support larger transaction values.

Zip Money instalments has allowed our customers to use Zip outside of our integrated merchant network using virtual Visa cards. We are targeting continued evolution of Zip's customer proposition with affiliate partners and real-time rewards program (including in-store rewards).

2. IMPROVE UNIT ECONOMICS

IMPROVE CREDIT PERFORMANCE

We aim to further improve our unit economics from FY22 levels. We are targeting a reduction in cash cost of sales as a percentage of TTV to 4.0%-4.5% in the medium term with improving credit performance a key driver. In line with this, we are adjusting and optimising risk rules and delivering on portfolio management and collections initiatives to manage credit losses to within management's target range of 2.0% of TTV and below.

REDUCE PROCESSING COSTS

As we continue to grow, we aim to deliver lower-cost processing through scale efficiencies and alternate repayment options, such as ACH (Automated Clearing House) in the US and we will continue to seek efficient funding options across the group.

REPAYMENT VELOCITY

We are also making it easier for customers to manage existing transactions, providing additional flexibility to adopt personalised repayment schedules, enhancing our rewards program (such as through instant cashback) and offering more ways to pay (e.g. ACH).

3. REDUCE GLOBAL COST BASE

FINALISE REVIEW OF REST OF WORLD FOOTPRINT

In FY23, we will complete the wind down of the Singapore and UK businesses and continue to reduce complexity and streamline operations in core markets. In ANZ we have already taken the action to discontinue lower margin product lines and focus on the core which we expect to deliver further operating efficiencies.

As part of our strategic review, we are also working through and will finalise actions related to our remaining non-core global businesses, reducing group cash burn.

STREAMLINE OPERATIONS AND SCALE INFRASTRUCTURE

In FY23, we will continue to invest in platforms and resources to streamline operations, reduce third-party spend and deliver continued scale benefits. We will focus on delivering improved capabilities in data analytics, technology, cybersecurity and risk management resources and practices, whilst optimising cost. This is to further protect our customers and key stakeholders as we operate at scale.

BNPL STILL EARLY ON THE ADOPTION CURVE

The COVID-19 pandemic accelerated the rise in the use of digital wallets and the addressable opportunity for BNPL remains significant, with BNPL expected to be the fastest growing ecommerce payment method over the next two years. As consumers are increasingly seeking products that are fair, transparent and provide seamless customer experiences we expect continued market penetration of BNPL as a payment method. Across our core markets, ANZ and the US, penetration is less than 2% of the total addressable market[1] with significant opportunity, particularly in the US which is still early stage and expected to more than double by 2025.

Through our multiple product offering of short and long duration instalments, and instore and online options and enabling our customers to use BNPL everywhere, we aim to grow with our customer base as their spending power and wealth increases over time further strengthening this relationship and expanding customer LTV (Life Time Value).

1. Total addressable market represented by total payment value for Australia, New Zealand and US in 2021. Source: Worldpay, 2022.

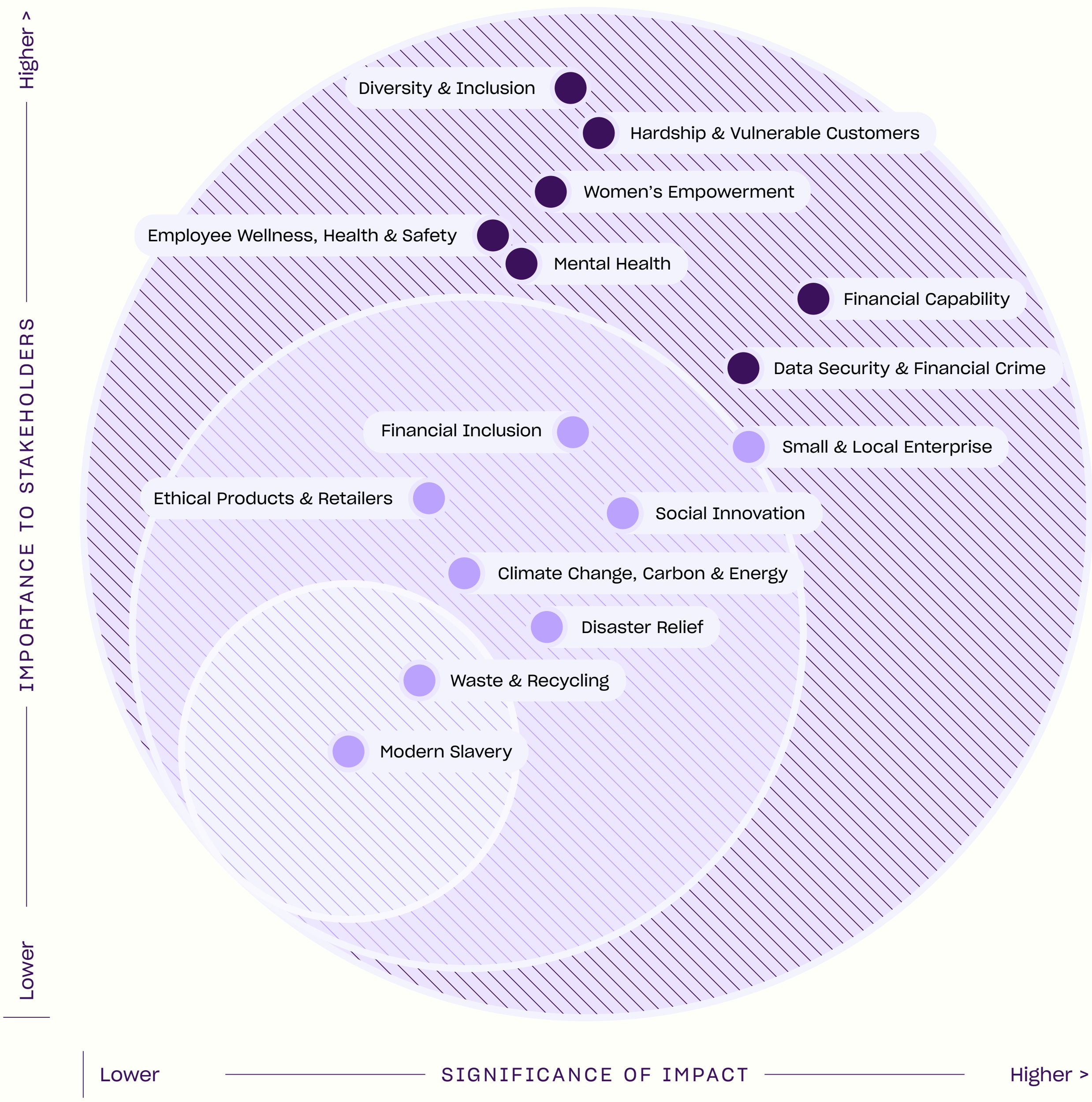
Sustainability Report FY22

In FY21, we launched our strategic framework for sustainability – Zip it Forward. This reflected a significant milestone in the maturity of the business and was an extension of our commitment to our environmental, social and governance responsibilities. These responsibilities have always been at the core of our DNA as an organisation and we have advanced this significantly in FY22.

In developing Zip's sustainability strategy last year, we undertook several activities to identify our environmental, social and governance topics aligned to Global Reporting Initiative (GRI) guidelines. This included benchmarking, stakeholder engagement, UN Sustainable Development Goals (SDGs) mapping and materiality analysis.

We also ran a consumer survey and conducted over 50 interviews globally with a diverse set of stakeholders including consumer advocacy groups, merchants, and non-governmental organisations (NGOs). This information fed into our materiality matrix and is reflected in our sustainability strategy and the areas highlighted in this report.

Zip Materiality Matrix



In FY22, Zip continued to recognise and evolve its sustainability framework. Effectively managing our environmental, social, and governance issues lowers risk and delivers enhanced value for our shareholders, customers, employees and communities.

SUSTAINABILITY

Our mission, purpose and values sit at the heart of Zip.

We're pleased to report on the progress that we've made across our key focus areas, and our plans for these focus areas in the future.

SUSTAINABLE DEVELOPMENT GOALS ("SDGs")

We believe that finance and technology will play a key role in many of the United Nations' SDGs. In developing our sustainability strategy in FY21, we identified relevant goals and mapped them to our value chain and impact matrix. These goals have been further revised in FY22 and aligned to our goals for FY23 and beyond, as we explore new ways of creating positive global impact.

OUR MISSION

We exist to create a world where people can live fearlessly today, knowing they're in control of tomorrow.

OUR STRATEGIC FRAMEWORK FOR SUSTAINABILITY ALIGNS TO OUR PURPOSE:

OUR PURPOSE:

FOCUS AREAS/SDGS	GOALS/COMMITMENT	SDGs
GOVERNANCE		
Governance & Risk Management	– Majority of Independent Directors – Effective management of key risks	8 DECENT WORK AND ECONOMIC GROWTH; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Cyber security, data privacy and financial crime	– Cyber-security: No material disruption to operations or data loss – Data Privacy: No reportable incidents – Financial Crime: Program that meets regulatory standards and effective controls	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
SOCIAL		
Diversity, Equity and Inclusion	– Gender balance target of 40% women, 40% men, 20% any gender across all levels by FY26	5 GENDER EQUALITY; 10 REDUCED INEQUALITIES
Community Engagement	– Mobilising Zip employees in support of crises – Mobilising customers in support of crises by FY24 – Commit two days of paid employee time to volunteering per annum	17 PARTNERSHIPS FOR THE GOALS
Financial Wellbeing and Responsible lending	– Partnering with communities to deliver financial wellbeing	1 NO POVERTY; 8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES
ENVIRONMENTAL		
Environmental Sustainability	– Climate Neutral accreditation – Emissions reduction targets set by FY24 – Climate-related Financial Disclosures roadmap by FY23	11 SUSTAINABLE CITIES AND COMMUNITIES; 13 CLIMATE ACTION

Governance

We are committed to continuously improving our governance practices and ensuring they align with business and stakeholders' needs.

Our governance approach is based on accountability, effective delegation and adequate oversight to support sound decision-making. The Board's role is to protect Zip's interests and take into account the interests of shareholders and other stakeholders by setting our strategic direction and instilling a culture that is performance driven, adaptive, accountable and risk aware to achieve growth outcomes. The Board places high importance on ensuring that Zip, its directors, officers and employees operate in an appropriate environment of corporate governance and remain well-positioned to serve customers and perform for shareholders over the long term.

The Board has a framework in place for governing Zip and the governance and performance of the Company is overseen by the Board elected by the shareholders.

GOVERNANCE METRICS

Sound governance enables us to deliver on our purpose and strategy. The Board comprises five Directors – three independent Non-Executive Directors (including a Non-Executive Chairman) and two Executive Directors (the CEO and COO). Independent, diverse and skilled Non-Executive Directors provide clear oversight and support sound decision-making by our Board.

The CEO has responsibility for managing the day-to-day affairs of Zip with the support of the Executive Leadership Team, in accordance with the strategy, policies and the risk appetite set by the Board. This includes a delegation of authority framework which defines the decision-making and expenditure limits that apply at various levels of management. We have a culture where our people know what is expected of them and that they are confident to speak up about any issues of concern. Additionally, the Board is responsible for providing an environment where our people drive performance and manage risks in the best interests of stakeholders.

OUR GOVERNANCE FRAMEWORK

	FY22	FY21
Board Composition (#)		
Total Directors:	5	5
– Women	2*	2
– Men	3	3
Independent Directors	3*	3
Women Directors on Board (%)	40	40
Conduct		
Whistle-blower cases[1]	1	NA
Cyber Security		
Reportable cyber security incidents	0	0

* Independent Non-Executive Director Pippa Downes resigned on the 22nd of June 2022. Meredith Scott commenced as a Non-Executive Director on 1 September 2022.

BOARD PRIORITIES DURING FY22

After starting FY22 executing on our global growth strategy, the Board responded to changes to the broader macroeconomic environment and market conditions by refocusing its strategy on tight capital management, reducing our presence in non-core markets, prioritising growth of the ANZ and US businesses, intensive management of our credit losses, rightsizing our operating expenses whilst retaining key talent, and driving value for merchants and consumers. Over the past financial year, Board priorities included:

STRATEGY

The Board regularly reviews and monitors the effectiveness of Zip's strategy in the context of current and potential future market conditions. Having expanded into new markets and generated high growth and strong shareholder returns, the market significantly shifted in the second half of the year, requiring a review of strategy. This resulted in new strategic priorities and a clear and ambitious plan to focus on ANZ and the US to accelerate the group's path to profitability.

CULTURE

The Board and Senior Management are responsible for Zip's culture. We are focused on shaping a culture that supports our purpose and executing on our strategy. The Board and Management is focused on preserving the highly engaged culture in the context of the program to reduce headcount and slightly higher attrition. The Board monitors culture through people reporting that reviews employee engagement and experience, diversity and inclusion, recruitment, retention and compliance.

LEADERSHIP

The Board works through the CEO, COO and CFO to drive performance and governance. Developing and retaining key talent to support execution of the refocused strategy is crucial. During the year Zip appointed key new leaders such as the Global CTO, Managing Director for ANZ, Chief Security and Information Officer, Risk and Compliance Director and Head of Investor Relations to close gaps, create additional capability and improve performance.

RISK MANAGEMENT

The Board ensures that we have the capability to manage and mitigate key risks. Key activities in FY22 included an external independent review and significant investments in resources along with the development of a risk appetite and risk tolerance framework, enhancements to the risk registry, risk matrix and business continuity plan, all of which strengthen our ability to oversee, manage and mitigate key risks.

GOVERNANCE

The Board recognises effective governance requires engagement with shareholders and a broad range of stakeholders to ensure that we consider a wide range of views. Over and above the risk management, financial crime and Board performance review, we conducted an ongoing governance review of policies, global regulatory compliance requirements and on our tax obligations.

PERFORMANCE

The Board is closely monitoring operational performance in our core markets to ensure we have sufficient operating capital to deliver on our accelerated path to profitability. Credit losses, customer usage, merchant experience, employee engagement, capital management and financial performance are all areas of key and consistent focus.

1. During FY21, Zip had an internal whistleblowing service. An external and independent whistleblowing service was implemented during FY22.

Governance
Cont.

BOARD SKILLS AND EXPERIENCE

The Board Skills Matrix sets out the skills and experience considered essential to the effectiveness of the Board and its Committees. The Nominations Committee endorsed, and the Board approved the Skills Matrix capturing the skills needed to address existing and emerging business and governance issues relevant to Zip. The Nomination Committee regularly reviews the experience, independence, knowledge, balance of skills and diversity of the Board, to ensure that the Directors collectively have the appropriate skills mix.

CORPORATE GOVERNANCE

The Board recognises the role it plays on behalf of shareholders and the industry. The Board continued to review Board composition to enhance the effectiveness of the Board and to ensure the right mix of capabilities to oversee our performance and governance. The Board initiated a performance review and is committed to ongoing enhancements.

The Board maintains its focus on risk management, conducting an independent review and increasing investments in resources, policies, reporting and compliance. Further, the Board is focused on developing a stronger second line of defence, through internal audit, to further strengthen the three lines of defence framework to ensure clear lines of accountability.

Further detail on our corporate governance can be found in the FY22 Corporate Governance statement on our website.

BOARD INDEPENDENCE

The Zip Board has five Directors, three independent Non-Executive Directors and two Executive Directors (the CEO and COO). Directors are expected to bring independent judgement to all Board decisions in the interests of all shareholders, and the Board regularly assesses the independence of each Director in light of the interests disclosed. All Directors are expected to advise the Board of any interest that could potentially conflict with those of Zip.

The Board seeks to direct strategy, drive accountability, endorse policy, manage risk and monitor performance to position the Company for long-term growth. The Board continues to review the collective skills, knowledge, experience and diversity required to support its ongoing performance and governance duties, with a view to identifying skills, capacity and market knowledge to support our continued growth and path to profitability.

"The Board initiated a performance review and is committed to ongoing enhancements."

BOARD SKILLS MATRIX

SKILLS AND EXPERIENCE	DESCRIPTION	LEVEL[1]
INDUSTRY		
Retail and ecommerce	Experience in the retail/ecommerce sectors	Proficient
Payments and affiliates	Experience in conducting business directly with consumers	Proficient
Issuing responsible credit	Experience in issuing and controlling credit customer base	Practiced
Global markets	Experience in conducting business in, and proven knowledge of, overseas markets in which we operate	Practiced
DIGITAL AND TECHNOLOGY		
Digital platforms	Experience in the use of online platforms to deliver products and services	Practiced
Disruptive technology	Experience in digital technologies, implementing technology products, leveraging digital technologies and digital disruption	Proficient
Online communities	Experience in leveraging online communities to drive business	Practiced
GOVERNANCE, STAKEHOLDERS AND REGULATORY		
Listed companies	Experience as a Director on a listed company Board in Australia or overseas	Practiced
People and culture	Experience in building workplace capability, setting a remuneration framework that attracts and retains high calibre executives, and promoting diversity and inclusion	Proficient
Health, safety, environment and sustainability	Experience related to workplace health, safety, environment and corporate responsibility issues within large businesses	Practiced
Legal, governance and compliance	Ability in, and understanding of the application of legal, governance and compliance principles and regulations	Proficient
Risk management and compliance oversight	Experience in identifying, assessing and managing strategic, operational and financial risks, and monitoring compliance management frameworks and systems	Proficient
LEADERSHIP		
Executive leadership	Held senior executive position in an organisation of significant size or a listed company in Australia or overseas	Proficient
Strategy	Experience in developing, implementing and challenging a plan of action to achieve our long-term objectives	Proficient
Financial acumen	Qualifications or experience in financial accounting and reporting, corporate finance and internal controls	Proficient
Capital management	Experience in capital management strategies, including capital partnerships, debt financing and capital raisings	Proficient
Mergers and acquisitions	Experience in corporate transactions and joint ventures	Proficient

1. **Proficient** means regarded to have expert or highly qualified proficiency, knowledge and experience in the subject matter or domain and has been seen to contribute these skills in Board and Committee conversations and critical thinking. **Practiced** means has developed a sound working knowledge and understanding of the subject matter through either past executive or management roles, extensive on-the-job application of skills in Board and Committee activities and/or through training and professional development activities.

Governance
Cont.

RISK MANAGEMENT

During FY22, we made significant investments to improve our Risk Management with particular focus on our core markets of ANZ and the US. Key activities included:

- Completed an external independent review of our risk practices, which included interviews with senior leadership to identify the top 20 current and emerging risks facing our business and areas of opportunity for ongoing improvement;
- Appointed a Risk and Compliance Director and added resources to our Risk Management teams in ANZ and the US;
- Developed a detailed risk appetite statement with risk appetite reporting measures outlining our tolerances across strategic, financial, product, innovation, marketing, operational, cyber security, legal, regulatory, compliance and credit risk types;
- Reviewed our global risk register and further developed our risk matrix identifying key risks, mitigations and accountability; and
- Reviewed and enhanced our Business Continuity Plan and Crisis Management Plan, increasing our response and recovery preparedness.

PURPOSE-LED CULTURE

Across all of our offices, our mission, purpose and values remain the same. Driven by people-centred product innovation, we are the next generation of payments, helping consumers and businesses to take control of their financial future. For employees, we have created an adaptive, high performance culture for leaders to learn, grow and develop. Each day, we endeavour to make a positive difference to the lives of our customers, shareholders and employees.

In FY22 we focused on building the capability of our senior leaders, guided by 360 feedback insights on their leadership impact. We have developed career development plans, well-being programs and enacted diversity initiatives to support performance and maintain the high levels of employee engagement that have defined our culture. In the second half of the year, a program to reduce headcount to reduce operating expenses was successfully executed. The Board is focused on retaining high performing talent and preserving the Zip culture in light of headcount changes.

CORPORATE CITIZENSHIP

We are committed to doing the right thing for our customers, our people, our shareholders and our community. Zip issues responsible credit, facilitates digital payments and creates value for merchants and consumers. For merchants, Zip drives traffic to ecommerce sites or stores, improves conversion, increases the average order value and provides valuable data insights. For consumers, Zip provides fair, seamless and responsible credit, helping to pay for what they want and manage their budgets.

Our Code of Conduct details the practical principles and minimum standards of expected behaviour, setting out the way our people, including our Directors and Executives work. It is aligned with our expectations of ethical behaviour and supported by our Anti-Bribery and Corruption policy which was updated during FY22 to reflect Zip's strengthened processes and procedures for anti-bribery and corruption.

Each year our employees undertake compliance training to ensure they understand our regulatory obligations and what this means for their individual role. The Board continues to focus on ensuring adherence to the training program. Training covers areas including workplace bullying and harassment, information security, data privacy, anti-money laundering and counter terrorism financing, anti-bribery and corruption and insider trading. In FY22, we also reviewed and updated our modern slavery statement and our Whistle-blower Policy.

> We are committed to doing the right thing for our customers, our people, our shareholders and our community."

Cyber security, data privacy and financial crime

CYBER SECURITY RESILIENCE

The Board is focused on ensuring that our cyber security resilience protects our operations and customer data from rising and dynamic global cyber security threats. The Board has convened a cyber security resilience council, chaired by an independent Non-Executive Director, to provide oversight on our ability to identify, protect, defend, detect, respond and recover from cyber threats and incidents.

"We remain focused on continued improvements to our cyber security resilience."

KEY DEVELOPMENTS DURING FY22 INCLUDED:

- No notifiable cyber security events affecting the privacy of our data or operations during the year;
- Added two key leaders with our first global Chief Security and Information Officer and Global CTO who are accountable, with our CEO and COO, in continuing to build our cyber security resilience capability;
- Developed detailed cyber security performance reporting and a roadmap that prioritises our resilience investments to mitigate the ongoing risks; and
- Continued to develop a range of programs including security awareness training, friendly phishing penetration and remediation, mail domain compliance, a secure coding program for engineers, and access management. A cyber-threat aware culture is key to our resilience as an organisation.

We identify cyber threats and source intelligence on potential risks, identifying any potential vulnerabilities. The cyber security program serves to mitigate risks and includes measures and initiatives on governance controls, security patch management, defence system coverage, secure SaaS app-onboarding, user endpoints testing, multi-factor authentication, encryption rates, incident response times and documented coverage for incidents.

To ensure that we are independently measuring our cyber security resilience, we conduct regular external security benchmarking, partnering with BitSight[1] through FY22. Our BitSight security ratings ended the year at 720 and ranged between 720 to 760 throughout the year (from a maximum of 900 points). We rated in the high end of the 'Intermediate' category and at the low end of the 'Advanced' category through the year, above the global averages for the Financial Services sector.

CUSTOMER DATA PRIVACY

The protection of customer privacy and data is foundational to earning the trust of our customers. We are committed to respecting the privacy of our customers' personal data and our privacy policy explains how we collect, store, use and disclose personal information and how we comply with privacy laws.

To protect this information, we have in place physical security measures, with appropriate technology, processes and security to restrict access and destroy information no longer required, subject to legal obligations. In the event of a privacy breach, we also have processes in place to ensure these risks are managed in a timely and effective way. These processes also outline the required notifications including notifiable data breaches under the Notifiable Data Breaches scheme. We take privacy complaints very seriously, and the Privacy Policy includes details of internal and external complaints avenues available to customers. A copy of our Privacy Policy can be found on our website.

FINANCIAL CRIME

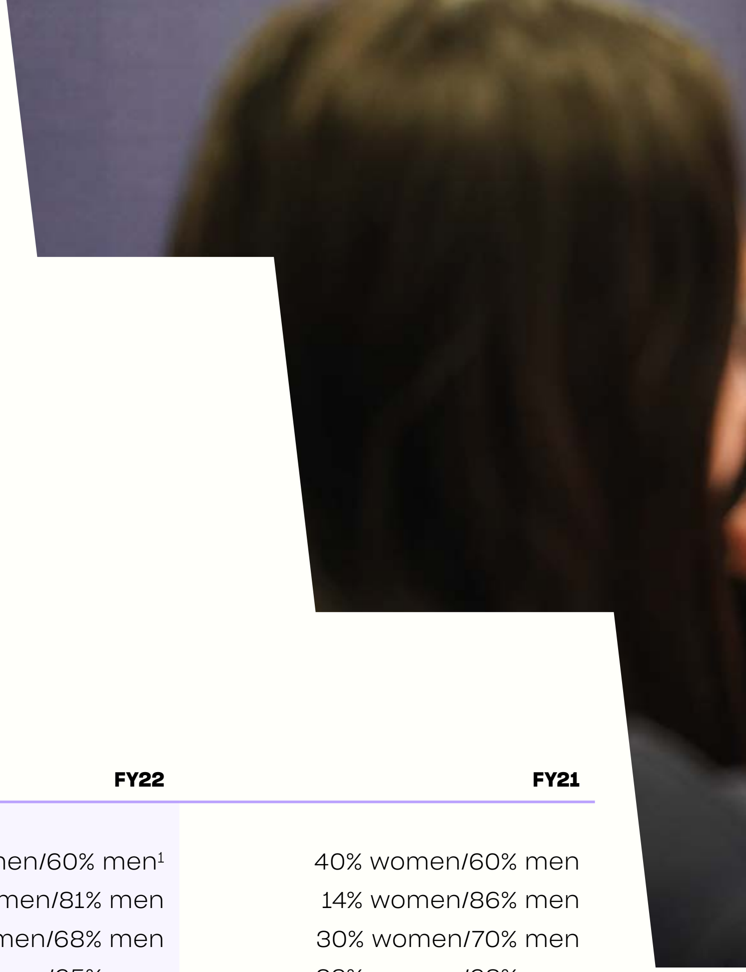
The Board acknowledges the importance of combating financial crime; and the important role that Zip plays in protecting our community, customers and employees.

We are committed to preventing, detecting and disrupting financial crime by maintaining effective systems, processes and controls to manage financial crime risks, including Anti-Money Laundering and Counter Terrorism Financing (AML/CTF), Sanctions and Anti-Bribery & Corruption.

During FY22, the Board sought an independent external review of our financial crime program to ensure that it meets regulatory standards. The Board also participated in financial crime awareness training during the year.

We are continually improving and adapting our financial crime control environment to manage the ever-evolving threat of financial crime. The Board is focused on testing our controls to ensure that they are effective.

1. BitSight is a company that provides daily security ratings through an automated service via the BitSight Security Ratings Platform. The BitSight platform continuously analyses terabytes of external data on the security behaviours of a company in order to help organisations manage third party risk, first party risk, benchmark performance, and assess and negotiate cyber insurance premiums. A BitSight Security Rating describes a company's cybersecurity posture, serves as a measure of their risk, and transforms how companies manage security risk by using a data-driven, outside-in approach to rate a company's security effectiveness. A company's rating is presented as a number between 250 and 900.



Social wellbeing

SOCIAL WELLBEING	FY22	FY21
Diversity, Equity & Inclusion		
Board	40% women/60% men[1]	40% women/60% men
Executive	19% women/81% men	14% women/86% men
Directors/VPs	32% women/68% men	30% women/70% men
Managers	35% women/65% men	32% women/68% men
Total Workforce	**42% women/58% men**	**41% women/59% men**

DIVERSITY, EQUITY AND INCLUSION (DEI)

At Zip, we believe our team should reflect the diversity of our customers. We consciously build for inclusion and balance so we can bring out the best in everyone.

As a company, we seek to celebrate the many, varied differences that make our people, customers and communities unique, and support equity among all people.

We take seriously our responsibility to provide a safe and inclusive environment which enables our employees to thrive and we pursue this through creating a culture of inclusion and fairness, that aligns to our company values. We support inclusion through key people policies and programs, including our parental leave and miscarriage bereavement leave policies, flexible working and mental health and wellbeing programs (in partnership with Heart on My Sleeve).

Our commitment to equity is also supported by our culture of candour, which promotes transparency and compassion. This is demonstrated in our practice of sharing key metrics across the organisation, including gender pay equity, gender pay gaps and any gender differences in performance ratings or engagement surveys. We have also maintained our commitment to reporting to the Workplace Gender Equality Agency's compliance program and publish our DEI targets on our public corporate governance website.

We celebrate diversity through company-wide events and communications, education and through our hiring practices. We acknowledge moments such as Mardi Gras and Pride Month, NAIDOC week and various religious and cultural traditions. Importantly, we are also working to educate our employees and equip them with the skills and knowledge they need to challenge bias in the workplace, starting with a Conscious Inclusion training program to be launched in FY23.

A STRATEGIC FOCUS ON GENDER EQUITY

As a key player in the financial technology industry, we recognise the important role we play in supporting gender equity and balance. We also know that gender balance in the workplace creates a more inclusive environment for all people.

In FY21, we set our five-year measurable objectives for gender balance across our team, using the 40/40/20 framework. In FY22, we reviewed and extended our measurable objectives to commit to achieving representation of 40% women, 40% men and 20% of any gender at our Board, Executive, Director and Manager cohorts.

In line with this commitment and supporting progress on our DEI goals, we have enhanced our commitments to equitable and inclusive hiring practices that support diversity through, for example, gender balanced hiring panels, reporting on diversity throughout the hiring

> **At Zip, we believe our team should reflect the diversity of our customers. We consciously build for inclusion and balance so we can bring out the best in everyone.”**

process and introducing questions relating to candidates' understanding of and commitment to DEI in our interviews. We have more work to do to deliver on these measurable objectives though we are proud to share our progress towards reaching these goals as well as other highlights in the programs we are rolling out to support DEI across the organisation.

Progress towards our DEI measurable objectives for gender balance in FY22:

- Maintained representation of 40%+ women globally at 42%;
- Increased our representation of women in our Executive team by 5% to 19%;
- Increased representation of women at Director and Manager level to 32% and 35%, lifting by 2% and 3% respectively; and
- Maintained representation of 40% women at the Board[1].

Other DEI initiatives that we undertook during the year were:

- Extended our existing miscarriage bereavement leave (established in FY21) to provide travel allowance and paid leave for US employees who need to travel to reach a US state of their choosing to receive abortion treatment;
- Partnered with The Dream Collective to design a tailored Conscious Inclusion training program. The first phase (Discovery) was completed in FY22 with training to launch in Q1 FY23;
- Celebrated Pride Month across our global offices, with key events including panel events with BIPOC (Black Indigenous and People of Colour) Transgender entrepreneurs in the US, LGBTQIA+ Zipsters and The Pinnacle Foundation, a not-for-profit supporting LGBTQIA+ youth across Australia to explore inclusion in ANZ and sharing stories from LGBTQIA+ Zipsters and allies through internal and external channels; and
- Continued our financial support and partnership with leading, global not-for-profit Women Who Code to support women to thrive in Tech careers and The Pinnacle Foundation through scholarships and mentoring.

We also monitor the gender balance of our Global Executive Team, which currently has a representation of 25% women and 75% men.

1. Note that this target was reached for 11.7 months in the year, with the departure of Non-Executive Director Pippa Downes on 22 June 2022. Meredith Scott commenced as a Non-Executive Director on 1 September 2022.

Social wellbeing
Cont.

In FY23, we will remain committed to ensuring our DEI program continues to evolve and close gaps between genders in our employee experience. We commit to remaining accountable to the delivery of our DEI strategy by measuring engagement, remuneration and professional development with a gender-balanced lens. We're also developing a broader Conscious Inclusion program, in partnership with leading DEI consultancy The Dream Collective which is currently in design phase.

Our employees represent different life experiences, ages, skills, abilities, family status and sexual orientation, as well as religious and cultural backgrounds so we will be extending our DEI initiatives with the design and roll out of our First Nations Inclusion strategy. We're committed to creating an environment where our employees feel safe to bring their whole selves to work and we will be working to extend our support for Employee Resource Groups across diverse demographics.

COMMUNITY ENGAGEMENT

We support communities to thrive, through developing and maintaining strong relationships and investments, as well as through responding to emergency situations around the globe. Our commitment to 'Zipping it Forward' is central to our culture. From the top down, our leaders and employees dedicate their time to supporting impactful initiatives, using our paid-volunteer leave program.

We have focused on engaging with the community and investing in areas where we can maximise our impact and initiatives aligned with our values.

During FY22, we are proud of the difference we made:

- Supported employees to utilise their two-days paid volunteering leave per annum, to support community organisations of their choice as well as our charity partners, The Pinnacle Foundation and Young Change Agents;
- Coordinated a global fundraising effort to support the Movember Foundation, donating $105,000 to support men's health, with all donations matched by Zip;
- Enabled our employees to convert their 'Bonusly Points'[1] to donate more than $5,000 to not-for-profits around the world;
- Coordinated a global fundraising effort of over $11,000 to support The International Rescue Committee's humanitarian action in Ukraine, with all employee donations matched by Zip; and
- Supported the Indigenous Marathon Foundation's Run Sweat Inspire festival during NAIDOC Week.

Our employees value the opportunity to give back to the community. In FY23 we will be increasing the use of our paid-volunteering leave program, with a focus on North America.

FINANCIAL WELLBEING

The financial wellbeing of our people, customers and communities is at the heart of everything we do, to help people take control of their financial future.

As a financial technology company, we understand the challenges of financial inequality, as well as the importance of financial wellbeing and feeling financially empowered.

1. Bonusly is Zip's recognition and rewards platform that enables employees to give public recognition and bonuses.

> **The financial wellbeing of our people, customers and communities is at the heart of everything we do, to help people take control of their financial future.”**

We remain committed to providing simple, fair, and transparent products that allow customers to take control of their financial future. Our aim is to support financial wellbeing for all people, not only our customers. We also work with key partners by contributing to programs that aid financial wellbeing in our communities.

Our activities to support financial wellbeing in FY22 included:

- Delivered customer campaigns focused on financial literacy across multiple channels in our ANZ and US markets, informed by customer research. This included launching our AU Financial Wellness blog, providing guidance on topics, including *5 Simple steps to take the Stress out of Managing Bills and Your Guide to creating a Monthly Budget*;
- Delivered customer research, including Unlocking Financial Literacy through Budgeting, with Hall & Partners exploring how different tools can help people meet their budgeting needs;
- Supported customers to manage their bills through the Zip App, including using Bill Switch to find a better deal on their electricity and gas. On average, 78,000 customers a month use Zip to manage their bills, across 104,000 transactions;
- Partnered with Young Change Agents, a leading not-for-profit that is empowering youth across Australia to developing their financial literacy and entrepreneurial skills. In FY22, we supported the delivery of a range of initiatives, including financial literacy content for young people and a digital budgeting tools for entrepreneurs; and
- Partnered with Way Forward, a not-for-profit that is committed to supporting Australians in financial hardship.

Financial literacy for our customers is a key tenet of our strategy. To better support our customers we have committed to the delivery of tools and programs that improve our customers' financial literacy across all channels, informed by learnings from campaigns in FY22. In line with this strategy, we will be building money management tools into the Zip App. In FY23, we will continue to build on our strong partnership with Young Change Agents, working together on projects that are designed to improve financial literacy and entrepreneurial learning.

RESPONSIBLE LENDING

We are committed to responsible lending. In Australia, we were heavily involved in developing the BNPL industry code of practice that came into effect in March 2021. We continue to meet our responsibilities and obligations under that code, including providing access to independent dispute resolution and financial hardship assistance should it be required. We also go above and beyond the minimum requirements set out by the code where we feel it is appropriate, including conducting credit checks on our customers.

We are focused on helping people not just buy or budget, but stay on track with repayments successfully. We actively monitor our customers' financial wellbeing and reporting is provided to the Board on a monthly basis measuring complaints, customer repayment behaviour and hardship levels (in Australia).

Environmental sustainability

ENVIRONMENTAL SUSTAINABILITY	FY22		FY21
Climate Neutral Certification (South Pole)	In Progress		Achieved
Greenhouse gas emissions[1]	**Market based calculation**	**Location based[2] calculation**	
Scope 1: Direct GHG emissions	8.1 tCO_2e	8.1 tCO_2e	0.00
Scope 2: Indirect GHG emissions from purchased electricity heating and cooling	192.1 tCO_2e	342.5 tCO_2e	43.53 tCO_2e
Scope 3: Other indirect GHG emissions	10,303.2 tCO_2e	10,303.2 tCO_2e	4,245.46 tCO_2e
Total GHG emissions (scopes 1, 2 & 3)	10,503.4 tCO_2e	10,653.8 tCO_2e	**4,288.96 tCO_2e**

As a global business, we are committed to reducing our environmental impact, including our emissions, and managing our climate-related risks in a way that is responsible to all stakeholders.

In FY22 the increase in total emissions was driven by the expansion of Zip's business, including into multiple new geographies, the full year ownership of the US business and investment in digital advertising. We have continued our commitment to operating as a global Climate Neutral certified organisation – an achievement we reached in FY21 through our partnership with South Pole. We have also continued to invest in carbon offsetting projects and setting emissions reduction targets that align with the SBTi's (Science Based Targets initiative) criteria. Our Climate Neutral certification for FY22 is expected to be awarded following the finalisation of these targets and reflecting a full offset of our scope 1, 2 and 3 emissions shown above.

We acknowledge that climate change is a risk to Zip and to people, customers and communities around the globe. That is why we've been integrating climate change considerations into our governance, risk management and strategy processes, in alignment with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). This integration allows us to identify material climate-related risks and opportunities and respond to the needs of regulators, shareholders, customers and other stakeholders. With the support of external climate consultants, we will continue to evolve our capability in systematically measuring, managing and mitigating climate risk and impacts to our business.

1. Scope 1 emissions are direct emissions from owned or controlled sources (for example, owned vehicles or factories). Scope 2 emissions are indirect emissions from the generation of purchased energy (for example, electricity). Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions (for example, business travel, waste management, commuting, or third-party distribution such as digital marketing).
2. Market-based reporting calculates emissions based on the electricity that Zip has purchased, factoring in the choice of renewable sources. The location-based method calculates emissions based on the emissions intensity of the local grid area where the electricity usage occurs.

In FY22 we focused on:

- Continuing our commitment to being a global, Climate Neutral certified organisation through partnering with expert climate consultancy, South Pole;
- Launched our journey towards reporting and disclosures that are aligned with the TCFD recommendations, including conducting a climate risk analysis on each of our global offices. This included conducting a physical climate exposure assessment across our offices globally, with the portfolio found to have low exposure to climate risk drivers to 2030;
- Engaging sustainable suppliers throughout our supply chain, including through procuring renewable energy in our Sydney HQ (Powershop) and Auckland (Simply Energy) offices;
- Integrating further commitments to environmental sustainability through updates to our *Environmental and Social Policy* educating our employees on sustainability through Lunch & Learns with community organisations, including Take 3, Zolo (an e-waste recycling not-for-profit) and Single Use Ain't Sexy (Zip Merchant Partner and supplier of sustainable soaps); and
- Partnerships with innovative, sustainable organisations that support us to reduce waste, including Zolo, Single Use Ain't Sexy and Simply Cups (not-for-profit that recycles coffee cups).

Having established a baseline reporting structure aligned to TCFD in FY22, in FY23 we will continue to build on this capability, including implementing governance structures for the ownership and management of enterprise climate risk and integrating climate risk into our enterprise risk management processes. We will also investigate how we can effectively mitigate site specific risks and develop agreed metrics and targets for measuring the performance of enterprise climate risk management processes over forward years.

We are proud of our achievement of being a global climate neutral certified organisation and look forward to extending this commitment through establishing emission reduction targets in line with the SBTi and a high-level emissions reduction strategy.

During FY23, we will also set targets for our emissions across scopes 1, 2 and 3. We can deliver more in this area and will be reviewing our global office suppliers with the aim of finding opportunities to further increase sustainability and reduce the environmental impact of our operations. Other initiatives also include expanding support for our customers to offset the carbon emissions associated with their purchases, through the Zip App.

Board of Directors

DIANE SMITH-GANDER AO

Chair

Qualifications:

BEc, MBA, FAICD, FGIA, FAIM, GAICD

Term:

Non-Executive Director and Chair of the Board appointed on 1 February 2021

Independent:

Yes

Committees:

Member of each of the Audit & Risk Committee and Remuneration, People & Culture Committee and Chair of the Nominations Committee.

Directorships:

Chair of DDH1 Limited, Chair of Safe Work Australia (until February 2022), Chair of the Committee for Economic Development of Australia, Director of AGL Energy Limited (until 18 September 2022), Keystart Loans Group (until June 2022) and HBF Health Limited (and appointed Chair in May 2022).

Experience:

Diane has extensive Australian and international experience in banking and finance, technology, and strategic and management consulting. This includes as a former partner at McKinsey & Company, and Group Executive IT and Operations, Westpac Banking Corporation.

LARRY DIAMOND

Managing Director and Global Chief Executive Officer

Qualifications:

BTech(IT), MCom, CA

Term:

Executive Director appointed on 11 September 2015

Independent:

No

Committees:

None

Directorships:

None

Experience:

Larry co-founded Zip with Peter Gray in 2013 with the goal of disrupting the broken credit card model, using technology to create a transparent, fairer and more flexible alternative. Larry has lead Zip from fintech start-up to one of Australia's leading digital payment tech companies. Today Zip is an ASX listed company with over 11 million customers globally and a presence in 14 international markets. Prior to Zip Larry spent 12 years working in retail, technology and investment banking, where he first saw the opportunity to digitise financial services with innovative products that bring customers and merchants together. His career included two years at Deutsche Bank as a Senior Associate within the Corporate Finance team and three years as an Investment Banking Manager at Macquarie Capital.

PETER GRAY

Executive Director and Global Chief Operating Officer

Qualifications:

Diploma of Finance

Term:

Executive Director appointed on 11 September 2015

Independent:

No

Committees:

None

Directorships:

None

Experience:

Peter co-founded Zip with Larry Diamond in 2013. Under his co-leadership, the company has grown to become an international BNPL business. An operations and consumer credit expert, Peter has underwritten over 3 million customers, $11 billion in transaction volume and $2 billion in loan receivables in Australia alone since the company was founded. Peter was the chief architect in developing Zip's market-leading credit and decisioning technology platform and the launch of Zip's Master Trust receivables funding program. Peter oversees Zip's global operations including credit and risk management. Peter is a respected Australian BNPL authority and commentator, with over 25 years' experience spanning regulated consumer credit, operations, risk, legal, compliance and publicly listed companies.

JOHN BATISTICH

Non-Executive Director

Qualifications:

M.Mgt, BBus, GAICD

Term:

Non-Executive Director appointed on 6 February 2018

Independent:

Yes

Committees:

Chair of the Remuneration, People & Culture Committee and Member of the Nominations Committee, and the Audit & Risk Committee (as well as interim Chair from 22 June 2022 until 1 September 2022).

Directorships:

Chairman of Foodco Group Pty Limited, (and director of a number of its subsidiaries) and Sunnyfield Disability Services.

Experience:

John is a highly-experienced growth leader who brings marketing, digital and human resources skills to the Board. John has over 25 years of cross sector experience in Research, Marketing, Digital and General Management with blue chip companies like Westfield Group, Interbrand, Wrigley Company, Pepsico Foods, Kimberley Clark and Lion Nathan.

Board of Directors

PIPPA DOWNES

Non-Executive Director

Qualifications:

MAppFin, BSc BusAdmin, GAICD

Term:

Non-Executive Director appointed on 1 October 2020 and resigned on 22 June 2022.

Independent:

Yes

Committees:

Previously Chair of the Audit & Risk Committee, Member of the Remuneration, People & Culture Committee and Member of the Nominations Committee.

Directorships:

Ingenia Communities RE Limited, Ingenia Communities Holdings Limited, ALE Property Group (until December 2021), ATI Global Limited and a Commissioner of Sport Australia (until December 2021).

Experience:

Pippa is a professional company director who has held executive and non–executive role across listed, not-for-profit and government enterprises. She brings significant experience in international banking and capital markets to the Board as well as broad industry knowledge across financial services, technology, infrastructure and property. She is a Commissioner of Sport Australia and a member of the Australian Super Investment Committee. Prior executive roles include Managing Director and Equity Partner at Goldman Sachs JB Were.

MEREDITH SCOTT

Non-Executive Director

Qualifications:

GAICD, FCA, BEc

Term:

Non-Executive Director appointed on 1 September 2022.

Independent:

Yes

Committees:

From date of appointment, Chair of the Audit & Risk Committee and Member of the Nominations Committee and Remuneration, People & Culture Committee.

Directorships:

Payton Capital Limited.

Experience:

Meredith is a business leader and board member with over 35 years' experience. Meredith has been the Chief Executive Officer of Opportunity International Australia (Opportunity) from 2018 to 2021. She was Chairman of Opportunity's Indian subsidiary, Dia Vikas Capital. Previously she was with Ernst & Young for 32 years, including 19 years as an audit partner, and an Ernst and Young Governing body member at national, Asian and Global levels. Throughout her time as a Partner at Ernst & Young she has had signing responsibilities for clients ranging across the Technology, Publishing, Telecommunications, Not for Profit, Movie Production and Education sectors. She was the first female to be appointed to the Oceania Executive team.

DAVID FRANKS

Joint Company Secretary

Qualifications:

BEc, CA, FGIA, MCom, FFINSIA

Term:

Appointed on 21 June 2019

Experience:

David is a Director and Principal of the Automic Group. As a Senior Executive, Company Secretary and Director of ASX listed entities and professional services organisations, David has over 25 years of experience.

TAI PHAN

Joint Company Secretary

Qualifications:

LLB, BSc

Term:

Appointed on 14 September 2021

Experience:

Tai is an experienced lawyer, Company Secretary, corporate governance and compliance professional. He has worked with Boards and executive management for ASX listed (Westpac, HT&E Limited, and Yancoal Ltd) and numerous unlisted companies. He has experience in the IPO listing process for the ASX, has been appointed an external consultant for AUSTRAC and as the Head of Compliance (Asia-Pac) for Travelex and Munich Re. Tai's experience covers a range of industries including financial services, mining, information technology and legal (both private practice and in-house).

Directors' Report

The Directors are pleased to submit herewith the annual report of Zip Co Limited and its controlled entities (the consolidated entity or the Group) for the financial year ended 30 June 2022. 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:

- Diane Smith-Gander AO
- Larry Diamond
- Peter Gray
- John Batistich
- Pippa Downes (Resigned on 22 June 2022)
- Meredith Scott (Appointed on 1 September 2022)

PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity is offering point-of-sale credit and payments to customers and providing integrated retail finance solutions to merchants, 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 2022 $'000	30 JUNE 2021 RESTATED[2] $'000
Revenue from ordinary activities[1]	Up 57%	620,003	393,919
Loss from ordinary activities after income tax attributable to members	Up 63%	(1,105,093)	(678,148)
Total comprehensive loss attributable to members	Up 46%	(1,015,468)	(697,439)

1. Revenue from ordinary activities reported for the financial year ended 2021 included other income of $0.4 million. Other income was subtracted from revenue for financial year 2021 to align with the financial results presentation for financial year ended 2022.
2. Restated numbers are explained in Note 28 in the financial statements.

DIVIDENDS

No dividends have been declared for the year ended 30 June 2022 or for the previous corresponding period.

REVIEW OF OPERATIONS

Zip is a leading player in the digital retail finance and payments industry. Established in 2013, the Group is headquartered in Sydney, Australia with operations spanning 13 countries around the world providing services in Australia, Canada, Czech Republic, Mexico, New Zealand, Poland, Saudi Arabia, Singapore, South Africa, Turkey, UAE, the United Kingdom and the United States.

The Group provides products to both consumers and small and medium-sized merchants (SMEs).

CONSUMERS

Zip provides BNPL services to consumers, both online and in-store, through the provision of line of credit and instalment products. Revenue is generated from merchants (merchant fees), consumers (predominantly account fees, establishment fees, instalment fees, late fees and interest) and transaction fees (affiliate fees and interchange).

SMALL AND MEDIUM-SIZED MERCHANTS (SMES)

Zip provides SMEs unsecured loans of up to $500,000 through its Zip Business Capital product.

During the financial year Zip offered its Zip Business Trade and Trade Plus products to SMEs which provided interest-free lines of credit of up to $150,000. Zip no longer offers these products and has narrowed its offering to the Zip Business Capital product.

REVIEW OF PERFORMANCE

During the current financial year, in response to changing market conditions globally, and more specifically within the BNPL Industry, Zip reviewed and revised its strategic priorities to increase its focus on sustainable growth and profitability in core markets. The revision included an assessment of the availability and allocation of capital, an evaluation to ensure capital was being deployed to the most significant global opportunities for profitable and sustainable growth, and a review of Zip's global presence and opportunities to right-size its global cost base.

The review, which is ongoing, has resulted in the decision to close the Singapore and the United Kingdom operations, the discontinuance of the Group's Pocketbook, Trade and Trade Plus products, and the recording of an impairment charge as set out in this report.

OPERATIONAL PERFORMANCE

Consumers

KEY METRIC	2022	2021	%
Transaction Volumes ('$M)	8,589.7	5,716.4	50.3%
Consumers ('M)	11.4	7.3	56.2%
Merchants ('K)	90.7	51.3	76.8%

Zip's performance is driven by a number of key operating metrics including Transaction Volumes, the number of consumer accounts and integrated merchants. Zip has grown significantly across all key operating metrics during the year, growing both organically and by acquisition.

Transaction Volumes

FOR THE YEAR ENDED 30 JUNE	2022 $'M	2021 $'M	MOVEMENT %
APAC	4,041.2	3,241.3	24.7%
AMERICAS	4,123.5	2,449.9	68.3%
EMEA	425.0	25.2	1,586.5%
	8,589.7	5,716.4	50.3%

Transaction volumes generated by consumers have grown to $8.6 billion for the financial year, an increase of 50.3%. This includes transaction volumes of $242.2 million generated by Twisto, $56.4 million generated by Spotii, and $48.9 million generated by Payflex in the period from the date of acquisition, reported in the EMEA segment. The Group generated 47.0% of volumes in APAC, compared to 56.7% in the previous financial year, and 48.0% in the Americas compared to 42.9% in the previous financial year.

Directors' Report Cont.

Consumers

FOR THE YEAR ENDED 30 JUNE	2022 M	2021 M	MOVEMENT %
APAC	3.2	2.8	14.3%
AMERICAS	6.4	4.4	45.5%
EMEA	1.8	0.1	NM
	11.4	7.3	56.2%

The number of consumer accounts has increased to 11.4 million globally at 30 June 2022, including 1.2 million added on the acquisition of Spotii, Twisto and Payflex, an increase of 4.1 million from the 7.3 million reported at 30 June 2021.

Merchants

FOR THE YEAR ENDED 30 JUNE	2022 K	2021 K	MOVEMENT %
APAC	43.2	35.5	21.7%
AMERICAS	22.0	15.6	41.0%
EMEA	25.5	0.2	NM
	90.7	51.3	76.8%

Merchant numbers increased by 39,400 over the prior financial year, including 24,000 added on the acquisition of Spotii, Twisto and Payflex. Enterprise merchants and SMEs continue to join Zip's platform as they recognise that providing their consumers with Zip's alternative payment method at point of sale and at checkout increases sales volumes and order values, delivers acquisition of new customers and drives repeat purchases.

SMEs (Business Financing)

	2022 $'M	2021 $'M	MOVEMENT %
Originations	152.3	81.6	86.6%

Originations generated by Zip Business have increased 86.6% compared to the previous corresponding period to $152.3 million, including $72.7 million from the Trade and Trade Plus product that are no longer offered by the Group. The Zip Business Capital product generated originations of $79.6 million across Australia and New Zealand, a 30.1% increase on the prior financial year.

FINANCIAL PERFORMANCE

GROUP RESULTS

Revenue grew by 57.4% to $620.0 million in the financial year to 30 June 2022 when compared to the prior financial year, driven predominantly by growth in transaction volumes and originations of 50.8% generated by Zip's Consumer and SME operations to $8,742.0 million (underlying volumes), and include the results of Spotii, Twisto and Payflex from the dates of acquisition.

FOR THE YEAR ENDED 30 JUNE	2022 $'M	2021 $'M	MOVEMENT %
Consumers	8,589.7	5,716.4	50.3%
SMEs	152.3	81.6	86.6%
Underlying Volumes	8,742.0	5,798.0	50.8%

Reported Gross Profit as a percentage of underlying volumes fell to 1.7% compared to 2.2% in the previous corresponding period. An increase in revenue, and reduction in interest as a percentage of underlying volumes, offsetting a 0.9% increase in bad debts and expected credit losses as a percentage of underlying volumes.

Excluding the movement in the bad debt provision and the amortisation of funding costs, cash gross profit as a percentage of underlying volumes fell from 3.1% in the previous corresponding period to 2.3%.

FOR THE YEAR ENDED 30 JUNE	2022 $'M	2021 RESTATED* $'M	MOVEMENT %
Revenue	620.0	393.9	57.4%
Cost of sales[1]	(469.0)	(266.8)	75.8%
Gross profit	151.0	127.1	18.8%
Expenditure	(1,257.8)	(870.9)	44.4%
Loss before income tax	(1,105.4)	(743.4)	48.7%
Gross profit	151.0	127.1	18.8%
Add: Movement in bad debt provision and amortisation of funding costs	52.7	54.4	(3.1%)
Cash Gross Profit	203.7	181.5	12.2%

1. Cost of sales includes interest expense (including $5.5 million of amortisation of funding costs for FY22, and $5.1 million for FY21), bad debts and expected credit losses, and bank fees and data costs.

* Restated numbers are explained in Note 28 in the financial statements.

Directors' Report Cont.

ADJUSTED GROUP RESULTS

The Group's result for the year to 30 June 2022 includes a number of non-recurring items and items that have had a significant impact on the result. The Group's adjusted loss before tax (which is non-IFRS information) is as follows:

Reported loss before tax	($1,105.4) million	
Add back:		
Acquisition of business costs	$17.5 million	On acquisitions made or announced in the period
Fair value gains relating to acquisitions	($10.0) million	Revaluation of pre-existing investments
One-off re-branding costs	$20.3 million	Global re-branding project costs
Impairment charge	$821.1 million	Impairment of goodwill and intangibles
Adjusted loss before income tax	($256.5) million	

The adjusted loss before income tax includes an $821.1 million of impairment of goodwill and intangibles in response to changing market conditions globally, and more specifically within the BNPL Industry, Zip's assessment of the availability and allocation of capital as well as the revised strategic priorities to increase its focus on sustainable growth and profitability in core markets. Refer to Note 14 in the financial statements for details.

REVENUE

FOR THE YEAR ENDED 30 JUNE	2022 $'M	2021 RESTATED* $'M	MOVEMENT %
Revenue	620.0	393.9	57.4%
% of underlying volumes	7.1%	6.8%	0.3%

* Restated numbers are explained in Note 28 in the financial statements.

Revenue has increased by 57.4% compared to the prior financial year reflecting a 50.8% increase in underlying volumes. Reported revenue as a percentage of underlying volumes was 7.1% compared to 6.8% in the prior financial year.

COST OF SALES

FOR THE YEAR ENDED 30 JUNE	2022 $'M	2021 RESTATED* $'M	MOVEMENT %
Interest expense	78.6	63.8	23.2%
% of underlying volumes	0.9%	1.1%	(0.2%)
Bad debts and expected credit losses	276.1	131.5	110.0%
% of underlying volumes	3.2%	2.3%	0.9%
Bank fees and data costs	114.3	71.5	59.9%
% of underlying volumes	1.3%	1.2%	0.1%
Total cost of sales	469.0	266.8	75.8%
% of underlying volumes	5.4%	4.6%	0.8%

* Restated numbers are explained in Note 28 in the financial statements.

Cost of sales increased to 5.4% of underlying volumes in the financial period primarily due to a 0.9% increase in reported bad debts and expected credit losses.

Interest costs as a percentage of underlying volumes fell 0.2%, reflecting both reduced interest margins in Australia and the Group now turning over capital more rapidly on a blended basis than in the previous financial year. Greater volumes are being transacted on Zip's instalment product globally which recycles capital faster than the line of credit products.

Excluding the movement in the provision for expected credit losses, net bad debts written off totalled 2.6% of underlying volumes compared to 1.4% in the previous corresponding period. The Group is above its medium-term target of net bad debts written off of under 2% of underlying volumes, and accordingly has adjusted risk settings and implemented portfolio management activities to reduce the level of write-offs to move towards its target. As demonstrated on the onset of COVID-19 in 2020 the Group is able to manage the level of net write-offs through the adjustment of the risk settings in its underwriting models together with a tightening of its portfolio management activities whilst maintaining top-line growth.

Bank fees and data costs increased by 0.1% as a percentage of underlying volumes as the higher cost of processing in the US, compared to ANZ, were included for the full financial year, compared to ten months in the previous corresponding period.

EXPENDITURE

The Group incurs expenses that have a cash impact and also reports a number of expense items that either have no cash impact, a minor cash impact, or are the result of cash outflows in previous or future reporting periods.

CASH EXPENSES

FOR THE YEAR ENDED 30 JUNE	2022 $'M	2021 RESTATED* $'M	MOVEMENT %
Salaries and employee benefits expense	184.4	97.7	88.7%
% of underlying volumes	2.1%	1.7%	0.4%
Marketing expenses	120.1	73.8	62.7%
% of underlying volumes	1.4%	1.3%	0.1%
Information technology expenses	47.1	24.0	96.3%
% of underlying volumes	0.5%	0.4%	0.1%
Other operating expenses	75.2	45.5	65.3%
% of underlying volumes	0.9%	0.8%	0.1%

* Restated numbers are explained in Note 28 in the financial statements.

Including 261 employees added on the acquisitions of Spotii, Twisto and Payflex, the Group's headcount has increased from 1,048 at 30 June 2021 to 1,498 at 30 June 2022 following the headcount reduction announced in April 2022. As a percentage of underlying volumes, salary and employee benefits have increased by 0.4% as compared to 30 June 2021, reflecting the Group's previous strategic priority of investment in growth and geographic expansion.

The Group successfully completed a global re-branding project in the twelve months to 30 June 2022 including the re-branding of QuadPay in the US to Zip. Excluding the one-off re-branding costs of $20.3 million, marketing costs, which comprise customer marketing initiatives, including rewards programs, rebates, co-marketing projects with enterprise merchants, and direct integration costs, have increased to $99.8 million and represent 1.1% of underlying volumes.

Directors' Report Cont.

Additional hosting costs relating to acquisitions made during the year, together with increased software costs to monitor, manage and operate the Group's IT infrastructure, have led to a marginal increase in information technology costs as a percentage of underlying volumes.

Other operating costs include acquisition of business costs of $17.5 million, as well as professional services, general administration, and other costs associated with the operation and management of the Group globally.

OTHER EXPENSES

FOR THE YEAR ENDED 30 JUNE	2022 $'M	2021 $'M	MOVEMENT $'M
Depreciation and amortisation expenses	68.6	91.8	(23.2)
Corporate financing costs	31.0	10.8	20.2
Share-based payments	30.9	142.8	(111.9)
Fair value (gain)/loss on financial instruments	(129.0)	77.6	(206.6)
Net adjustment relating to the acquisition of QuadPay	–	306.2	(306.2)
Impairment of goodwill and intangibles	821.1	–	821.1

The movement in depreciation and amortisation costs reflects an increase in the amortisation of intangibles following the acquisition of QuadPay, Spotii, Twisto and Payflex since the respective acquisition dates, an increase in the amortisation of internally generated IT development and software, offset by the write-off of the QuadPay brand name in the previous financial year totalling $42.6 million.

Effective interest charged on convertible notes issued in September 2020 and April 2021 for the full financial year 2022, as compared to the period since issuance in the prior financial year, resulted in an increase of $19.8 million in corporate financing costs in the year to 30 June 2022 compared to the financial year 2021.

To attract, retain and reward Zipsters, Zip offers a combination of short and long-term incentives that are delivered through equity. The share-based payments expense relating to the provision of retention and performance incentives, arising on the acquisition of QuadPay, approved by shareholders at the Extraordinary General Meeting (EGM) in August 2020, reduced to $5.4 million in the year ended 30 June 2022, a $97.3 million reduction compared to the prior financial year. Excluding this movement, the increase reflects the accrual for both short-term and long-term employee incentives resulting from the increased headcount across the Group.

The revaluation of the embedded derivative in the convertible notes and warrants issued to CVI Investments Inc., for which their fair value is largely driven by Zip's share price, resulted in a fair value gain of $119.0 million being reported in the year to 30 June 2022, compared to a fair value loss of $82.0 million in the previous financial year, a $201.0 million movement year on year.

In the financial year ended 30 June 2021, Zip recorded a revaluation and day 1 adjustment amounting to $306.2 million on the acquisition of QuadPay as the directors did not consider the fair value of the equity instruments granted for the purchase of QuadPay, as measured in accordance with AASB 13, was reflected in the subsequent equity value of the instruments granted or the underlying assets acquired.

Following the strategic review of market conditions, including global inflation and interest rate expectations, together with the availability of capital, Zip has adjusted discount rates and reduced forecast growth rates and cash flows across the US and New Zealand CGUs resulting in a partial impairment charge being recorded against the carrying value of goodwill arising on previous acquisitions in those geographies. A partial impairment charge of $590.1 million has been recorded on this basis, including $589.3 million in relation to the US CGU.

In addition, to deliver optimal returns in the short to medium-term the Group has made the decision to reduce the allocation of capital available to drive growth across the United Kingdom, Twisto, and Spotii, reducing growth rates and subsequent cashflows from those CGUs. Consequently, Zip has fully impaired the goodwill and acquired intangibles attributable to the Zip UK, Twisto and Spotii CGUs at 30 June 2022.

Accordingly, Zip has reported an impairment charge against the carrying value of goodwill and acquired intangibles of $821.1 million in the year to 30 June 2022.

Receivables

FOR THE YEAR ENDED 30 JUNE	2022 $'M	2021 RESTATED* $'M	MOVEMENT %
Customer receivables	2,684.6	2,083.9	28.8%
Unearned future income	(16.3)	(21.5)	(24.2%)
Provision for expected credit losses	(160.2)	(106.4)	50.6%
	2,508.1	1,956.0	28.2%

* Restated numbers are explained in Note 28 in the financial statements.

The acquisition of Spotii, Twisto and Payflex together with strong growth in underlying volumes has resulted in the Group's receivables portfolio increasing 28.2% to $2,508.1 million at 30 June 2022, up from $1,956.0 million at 30 June 2021. Excluding the impact of acquisitions, receivables grew 25.3%.

The performance of the receivables portfolio has impacted roll rates (the percentage of receivables that move into the next ageing bucket) included in the calculation of the provision for expected credit losses, which together with the re-assessment of the economic overlay within the Group's provisioning models, has resulted in the Group reporting a provision of 6.0% of the receivables at 30 June 2022, compared with 5.1% at 30 June 2021.

Gross receivables generated by Zip's APAC line of credit consumer business comprises 83.9% of the gross receivables at 30 June 2022, compared to 86.2% at 30 June 2021. The repayment rate remains healthy averaging 14.0% (of the opening receivables balance repaid each month) during the year ended 30 June 2022, compared to 14.6% across the prior financial year. The reported arrears rate (accounts over 60 days past due) was 2.30% of the receivables at 30 June 2022, compared with 1.78% at 30 June 2021.

CORPORATE ACTIVITY

Zip focused on its global expansion strategy in the first half of the financial year to 30 June 2022 completing a number of acquisitions and investments. Zip completed the acquisitions of Spotii and Twisto, announced in the previous financial year, and acquired Payflex, in each case acquiring the balance of the outstanding shares that it did not already own. In addition, Zip invested in leading Indian BNPL operator ZestMoney and increased its investment in TendoPay. As set out previously in this report, during the current financial year, in response to changing market conditions globally, and more specifically within the BNPL Industry, Zip reviewed and revised its strategic priorities to increase its focus on sustainable growth and profitability in core markets.

Directors' Report Cont.

ACQUISITIONS

SPOTII

On 18 October 2021, Zip completed the acquisition of Spotii, a leading tech-enabled payments platform operating in the Middle East, paying $21.6 million (US$16 million) to acquire the 80% of the outstanding shares it did not already own. On completion, Zip issued 2,850,412 new shares and allocated 285,039 shares in Zip's Employee Share Trust to employee shareholders who were participants in the Spotii employee share plan.

As part of consolidating the controlling entities of Spotii, the Group valued acquired intangibles arising from the acquisition of Spotii in conjunction with independent valuers, and goodwill has been determined. The valuation resulted in acquired intangibles totalling $5.4 million (net of taxation) and goodwill of $21.1 million being recognised at the acquisition date.

TWISTO

Following shareholder approval at the Annual General Meeting, Zip completed the acquisition of Central European BNPL provider, Twisto on 12 November 2021. Total consideration for the acquisition amounted to $135.3 million for the 87.63% of the outstanding shares in Twisto that Zip didn't already own. On completion, Zip paid cash of $0.6 million, and issued 17,454,987 new Zip shares valued at $115.4 million. To satisfy any claims that may arise under the acquisition agreement, Zip held back $19.3 million, to be settled through the issue of new ordinary shares in Zip subject to a maximum issuance of 4,550,000 shares (Holdback Consideration), with the balance payable in cash, or subject to compliance with the ASX listing rules, in shares. If no claims have been made by the end of the one-year anniversary of completion, Zip has 60 days to issue these Zip Shares. If a claim has been made and has not been Finally determined or resolved by the end of the one-year anniversary of completion, Zip has up to no later than four years after the anniversary of completion of the acquisition to issue these Zip Shares. The Holdback Consideration will be issued at an issue price equal to the Company's 30-day VWAP immediately prior to their issuance, subject to a 'minimum floor share price' of $5.00 per Share and an 'exchange rate cap' of $1.82 per EUR. Further details regarding the Twisto acquisition are set out in the Notice of Meeting and Explanatory Statement lodged by Zip on ASX on 29 September 2021. No claims have been made to the date of this report.

As part of consolidating the controlling entities of Twisto, the Group has valued acquired intangibles arising from the acquisition of Twisto in conjunction with independent valuers, and goodwill has been determined. The valuation resulted in acquired intangibles totalling $43.6 million (net of taxation) being recognised at the acquisition date and goodwill of $112.5 million being recognised at the acquisition date.

Payflex

On 3 January 2022, Zip completed the acquisition of the remaining 73.75% interest in Payflex that it did not already own. Total consideration of $15.9 million comprised upfront consideration of $8.9 million (ZAR$103.4 million), which was paid via 1,477,686 new Zip shares valued at $2.4 million on 23 March 2022, with the balance payable in cash. Zip's shares issued in settlement of the upfront consideration are subject to voluntary escrow arrangements.

In addition, Zip has agreed to make a potential cash payment of up to a maximum of $0.6 million (ZAR$7.2 million), subject to certain agreed conditions being met within 12 months from completion in connection with Zip exploring the merit of "empowering" Payflex in accordance with South African legislation, policy and good corporate governance practice regarding 'Black Economic Empowerment' investment.

Deferred consideration of up to $6.4 million (ZAR$73.8 million) is payable subject to the satisfaction of prescribed performance milestones, which are based on growth targets relating to the achievement of total transaction volumes and net transaction margins for the twelve months performance period ending 30 June 2022. Deferred consideration is payable by the issue of up to 1,053,608 Zip shares, with the balance payable in cash. Zip shares issued in settlement of the deferred consideration are subject to voluntary escrow arrangements. At 30 June 2022, Payflex has achieved the performance milestones and accordingly, the full amount will be payable by 30 September 2022.

As part of consolidating Payflex, the Group valued acquired intangibles arising from the acquisition of Payflex in conjunction with independent valuers, and goodwill has been determined. The valuation resulted in acquired intangibles totalling $5.2 million (net of taxation) and goodwill of $18.5 million being recognised at the acquisition date.

INVESTMENTS

ZESTMONEY

On 23 September 2021, Zip invested $69.2 million (US$50.0 million) to acquire an 11.1% interest in ZestMoney, a leading Indian BNPL operator. Under the agreement, Zip has taken a Board seat, agreed on specific reserved matters that require its approval, and has negotiated terms to increase its shareholding over time, at its discretion. This conditional right is not being recognised in the Group's Consolidated Financial Statements due to both the regulatory and other hurdles that need to be overcome in order to exercise the right. Zip commenced the process to give up this conditional right to increase its shareholding subsequent to the end of the financial year 2022.

TENDOPAY

On 17 December 2021, Zip increased its interest in TendoPay, a leading BNPL player in the Philippines, by 10% to 35%, investing $2.8 million (US$2.0 million). On investing in TendoPay in the previous financial year, Zip negotiated a conditional right to increase its shareholding. This conditional right is not being recognised in the Group's Consolidated Financial Statements based on consideration of operational matters in respect of exercising the conditional rights.

CAPITAL MANAGEMENT

Receivables Funding Facilities

CONSUMER FACILITIES	CURRENCY $'M	FACILITY LIMIT $'M	DRAWN AT 30 JUNE 2022
Zip Master Trust			
– Rated Note Series		1,377.5	1,377.5
– Variable Funding Notes		735.4	445.2
2017-1 Trust		264.7	211.0
2017-2 Trust		100.0	47.0
Total	AUD	2,477.6	2,080.7
AR2LLC	USD	300.0	116.9
NZ Trust 2021-1	NZD	30.0	16.0
TWISTO Czech	CZK	958.0	560.8
TWISTO Poland	EUR	19.4	15.9
PAYFLEX South Africa	ZAR	55.0	30.0

The Group had total facilities of $2,477.6 million available to fund its Australian consumer receivables at 30 June 2022, of which $2,080.7 million was drawn ($396.9 million undrawn and available).

Directors' Report Cont.

In September 2021, the Group completed its fourth rated note issuance, raising $617.5 million from external investors, redeeming the inaugural note issuance of $475.0 million, with the balance available to fund receivables. This was the first issuance under the Master Trust structure to be assigned a AAA rating. In January 2022, the consolidated entity added the Zip Variable Funding Note 2 to the Zip Master Trust, with a new senior funding partner, providing diversity of senior funding partners in the variable funding structure within the Zip Master Trust.

The 2017-2 Trust, which is available to fund receivables, junior notes, capital expenditure and working capital, was extended to September 2023 during the financial year and the facility limit increased by $30.0 million to $100.0 million.

Zip has a facility totalling US$300.0 million to fund its US consumer receivables which was drawn to US$116.9 million at 30 June 2022.

Zip established a facility to fund consumer receivables in New Zealand during the financial year, with a facility limit of NZ$30.0 million of which NZ$16.0 million was drawn at 30 June 2022.

The Group has facilities in both the Czech Republic and Poland to fund consumer receivables generated by Twisto in the respective countries. In March 2022, the Group increased its Twisto Czech facility by CZK$300.0 million.

Facilities available to fund receivables generated by Payflex in South Africa totalling ZAR$55.0 million of which ZAR$30.0 million was drawn at 30 June 2022.

SME FACILITIES	CURRENCY $'M	FACILITY LIMIT $'M	DRAWN AT 30 JUNE 2022
Zip Business			
Capital Australia	AUD	60.0	32.8
Capital New Zealand	NZD	40.0	8.0
Trade/Trade Plus	AUD	100.0	13.5

The Group has separate funding facilities to support each of its Zip Business Capital product and its Zip Business Trade and Trade Plus products.

In March 2022, the Group refinanced its Zip Business Capital facility in Australia, increased the senior commitment to $60.0 million and extended the availability period to March 2024. In May 2022, the consolidated entity extended the facility funding receivables generated by Zip Business Capital in New Zealand to November 2023, with the senior commitment increasing to NZ$40.0 million.

At the end of the financial year the Group had a facility totalling $100.0 million to fund its Zip Business Trade and Trade Plus products, drawn $13.5 million. Following the decision to discontinue the Trade and Trade Plus products, after the year end, the facility was fully repaid.

Equity Capital

During the financial year, the Group raised a total of $172.7 million ($169.3 million net of costs) in equity, from new and existing retail, institutional, sophisticated and professional investors. Funds were ultimately raised to strengthen Zip's Balance Sheet and position Zip for sustainable growth by providing more runway to support Zip's path to cash flow profitability.

CHANGE IN THE STATE OF AFFAIRS

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

FUTURE DEVELOPMENTS

In future financial years, Zip will increase its investment in growth in core markets (Australia, New Zealand and the United States), improve unit economics, and reduce global costs base, to achieve sustainable growth and an accelerated path to profitability.

POST BALANCE DATE EVENTS

Subsequent to 30 June 2022, in light of current macroeconomic and market conditions, Zip and Sezzle Inc. have mutually agreed to terminate their previously announced merger agreement for the proposed acquisition of Sezzle by Zip.

Subsequent to 30 June 2022, an arbitration was entered into with respect to a legal dispute associated with an alleged breach of contract. The directors consider the most likely outcome at this time is that there is no material present obligation arising from a past event.

Following the decision to discontinue the Trade and Trade Plus products, the $13.5 million drawn under the funding facility in place to provide funding to support these products was fully repaid in July 2022.

Subsequent to 30 June 2022, Zip made the decision to close its operations in Singapore and the UK, in line with initiatives to reduce the Group's cash burn following Zip's strategic review of its global operations.

On 26 August 2022, Zip waived the conditional right to increase its shareholding in relation to its investment in its associate ZestMoney.

On 1 September, Zip cancelled $40.0 million of $100.0 million Interest Bearing Convertible Notes that were issued in September 2020 to CVI Investments, Inc., an affiliate of Heights Capital Management, which is an affiliate of the US-based Susquehanna International Group ("SIG"). Under the terms of the Convertible Notes, SIG elected to redeem $40.0 million convertible notes, with the repayment by Zip of $42,987,857 which included accrued interest of $2,987,857. Following the redemption, 600 Convertible Notes remain outstanding and held by CVI Investments, Inc.

To the date of the release of this report, there have been no other material items, transactions or events subsequent to 30 June 2022 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 Group is not subject to any significant environmental regulation under a law of the Commonwealth, State or Territory law of Australia, or in any of the other jurisdictions that the Group currently, or is soon to, have a presence in.

Directors' Report Cont.

COMPOSITION OF THE BOARD ON 30 JUNE 2022

Name:	**Diane Smith-Gander AO**
Title:	Non-Executive Chair
Qualifications:	BEc, MBA, FAICD, FGIA, FAIM, GAICD
Term:	Non-Executive Director and Chair of the Board appointed on 1 February 2021
Independent:	Yes
Committees:	Member of each of the Audit & Risk Committee and Remuneration, People & Culture Committee and Chair of the Nominations Committee.
Directorships:	Chair of Zip Co Limited, Chair of DDH1 Limited, Chair of Safe Work Australia (until February 2022), Chair of the Committee for Economic Development of Australia, Director of AGL Energy Limited (until 18 September 2022), Keystart Loans Group (until June 2022) and HBF Health Limited (and appointed Chair in May 2022).
Experience:	Diane has extensive Australian and international experience in banking and finance, technology, and strategic and management consulting. This includes as a former partner at McKinsey & Company, and Group Executive IT and Operations, Westpac Banking Corporation.
Former Directorships (last 3 years):	Wesfarmers Limited (August 2009 – 12 November 2020)
Interests in shares:	40,896

Name:	**Larry Diamond**
Title:	Managing Director and Global Chief Executive Officer
Qualifications:	BTech(IT), MCom, CA
Term:	Executive Director appointed on 11 September 2015
Independent:	No
Committees:	None
Directorships:	None
Experience:	Larry co-founded Zip with Peter Gray in 2013 with the goal of disrupting the broken credit card model, using technology to create a transparent, fairer and more flexible alternative. Larry has lead Zip from fintech start-up to one of Australia's leading digital payment tech companies. Today Zip is an ASX200 listed company with over eleven million customers globally and a presence in 14 international markets. Prior to Zip Larry spent 12 years working in retail, technology and investment banking, where he first saw the opportunity to digitise financial services with innovative products that bring customers and merchants together. His career included two years at Deutsche Bank as a Senior Associate within the Corporate Finance team and three years as an Investment Banking Manager at Macquarie Capital.
Interests in shares:	55,165,522 (55,084,940 indirect and 80,582 direct)
Former Directorships (last 3 years):	None
Interest in performance rights:	818,826

Name:	**Peter Gray**
Title:	Executive Director and Global Chief Operating Officer
Qualifications:	Diploma of Finance
Term:	Executive Director appointed on 11 September 2015
Independent:	No
Committees:	None
Directorships:	None
Experience:	Peter co-founded Zip with Larry Diamond in 2013. Under his co-leadership, the company has grown to become a truly international BNPL business. An operations and consumer credit expert, Peter has underwritten over 3 million customers, $11 billion in transaction volume and $2 billion in loan receivables in Australia alone since the company was founded. Peter was the chief architect in developing Zip's market-leading credit and decisioning technology platform and the launch of Zip's Master Trust receivables funding program. Peter oversees Zip's global operations including credit and risk management. Peter is a respected Australian BNPL authority and commentator, with over 25 years' experience spanning regulated consumer credit, operations, risk, legal, compliance and publicly listed companies.
Interests in shares:	17,916,610 (17,863,556 indirect and 53,054 direct)
Former Directorships (last 3 years):	None
Interest in performance rights:	810,426

Name:	**John Batistich**
Title:	Non-Executive Director
Qualifications:	M.Mgt, BBus, GAICD
Term:	Non-Executive Director appointed on 6 February 2018
Independent:	Yes
Committees:	Chair of the Remuneration, People & Culture Committee and Member of the Nominations Committee, and the Audit & Risk Committee (as well as interim Chair from 22 June 2021 until 1 September 2022).
Directorships:	Chairman of Foodco Group Pty Limited (Director of a number of its subsidiaries), Sunnyfield Disability Services.
Experience:	John is a highly-experienced growth leader who brings marketing, digital and human resources skills to the Board. John has over 25 years of cross sector experience in Research, Marketing, Digital and General Management with blue chip companies like Westfield Group, Interbrand, Wrigley Company, Pepsico Foods, Kimberley Clark and Lion Nathan.
Former Directorships (last 3 years):	None
Interests in shares:	381,208

Directors' Report Cont.

Former Directorships 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.

On 1 September 2022, Meredith Scott was appointed as a Non-Executive Director, Chair of the Audit & Risk Committee and Member of the Nominations Committee and Remuneration, People & Culture Committee. Meredith is a business leader and board member with over 35 years' experience. Meredith has been the Chief Executive Officer of Opportunity International Australia (Opportunity) from 2018 to 2021 and she was Chairman of Opportunity's Indian subsidiary, Dia Vikas Capital. Previously she was with Ernst & Young for 32 years, including 19 years as an audit partner, and an Ernst and Young Governing body member at national, Asian and Global levels. Throughout her time as a Partner at Ernst & Young she has had signing responsibilities for clients ranging across the Technology, Publishing, Telecommunications, Not for Profit, Movie Production and Education sectors. She was the first female to be appointed to the Oceania Executive team.

COMPANY SECRETARY

David Franks is a Fellow of the Governance Institute of Australia, Fellow of the Financial Services Institute of Australasia and a Chartered Accountant with over 25 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.

Tai Phan (Joint Company Secretary) is an experienced lawyer, Company Secretary, corporate governance and compliance professional. He has worked with Boards and executive management for ASX listed (Westpac, HT&E Limited, and Yancoal Ltd) and numerous unlisted companies. He has experience in the IPO listing process for the ASX, has been appointed an external consultant for AUSTRAC and as the Head of Asia-Pac Compliance for Travelex and Munich Re. Tai's experience covers a range of industries including financial services, mining, information technology and legal (both private practice and in-house).

MEETING 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 2022, and the number of meetings attended by each Director were:

	BOARD DIRECTORS				AUDIT AND RISK COMMITTEE		REMUNERATION PEOPLE & CULTURE COMMITTEE		NOMINATIONS COMMITTEE	
	MEETINGS		AD-HOC MEETINGS[1]							
	HELD[2]	ATTENDED	HELD[3]	ATTENDED	HELD[2]	ATTENDED	HELD[2]	ATTENDED	HELD[2]	ATTENDED
Diane Smith-Gander AO	13	13	22	22	6	6	4	4	1	1
Larry Diamond	13	13	22	22	NM[4]	NM[4]	NM[4]	NM[4]	NM[4]	NM[4]
Peter Gray	13	13	22	22	NM[4]	NM[4]	NM[4]	NM[4]	NM[4]	NM[4]
John Batistich	13	13	22	21	6	6	4	4	1	1
Pippa Downes[5]	12	12	22	22	6	6	3	3	1	1

1. Out of cycle Board meetings typically called for a special purpose that do not form part of the Board approved yearly planner.
2. The number of meetings held during the time the Director held office and was a member of the relevant committee.
3. The number of Ad-hoc meetings held during the time the Director held office and was a member of the relevant committee.
4. NM refers to not a member of the committee.
5. Resigned on 22 June 2022.
6. In the financial year ended 30 June 2022, there were 5 Due Diligence Committee meetings held to consider the acquisition of Sezzle. The Committee members included the following directors, Diane Smith-Gander AO, Larry Diamond, Peter Gray, John Batistich and Pippa Downes with attendance (held/attended) of 5/5, 5/4, 5/5, 5/5 and 5/5 respectively.

Remuneration Report

This report forms part of the Company's FY22 Director's Report and sets out the remuneration arrangements for Zip Co's Directors and other Key Management Personnel (KMP) for the year ended 30 June 2022 (FY22). KMPs are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including all Directors. The Report is prepared in accordance with section 300A of the *Corporations Act 2001* and has been audited as required by section 308(3C) of the Corporations Act. The report is divided into the following sections.

CONTENTS

1. MESSAGE FROM THE CHAIR OF THE REMUNERATION, PEOPLE AND CULTURE COMMITTEE

On behalf of the Board of Directors, I am pleased to present the audited Remuneration Report for the year ended 30 June 2022. Zip Co's Remuneration report details how executive remuneration outcomes are linked to corporate performance for FY22. The report details our remuneration policy and its alignment between executive remuneration and shareholder outcomes.

FY22 PERFORMANCE ON KEY MEASURES:

Total Transaction Volumes **$8.7b** **+51% above FY21**	**Revenue** **$620m** **+57% above FY21***	**Gross Customer Receivables** **$2.7b** **+29% above FY21***
Credit Losses[1] (Net Bad Debts % of TTV) **2.6%** **+1.2% points above FY21***	**Cash Net Transaction Margin[1]** **2.3%** **-0.8% points below FY21***	**Cash Gross Profit[1]** **$203.7m** **+12% above FY21***
Customer Accounts (Number of Accounts) **11.4m** **+56% vs FY21**	**Customer NPS (Australia and USA)** **33** **As at 30 June 2022**	**Merchant Accounts** **90.7k** **+77% vs FY21**
Available Cash and Liquidity[1] **$279m** **As at 30 June 2022**	**Proxy Cash EBTDA[1]** **-$207m** **-$159m below FY21***	**Employee Engagement (Global)[2]** **80%** **9% points below FY21**

* The comparative information for FY21 is restated. Please refer to Note 28 in the financial statements.

1. Non-IFRS information. Reported Gross Profit adjusted for the movement in expected credit losses, and amortised finance costs expressed as a percentage of underlying volumes. Reported EBTDA adjusted for the movement in expected credit losses, amortised funding costs and unrealised foreign exchange movements.
2. FY21 measured Employee Engagement for Australia and New Zealand whilst FY22 measured Australia, United States, New Zealand, United Kingdom, Canada, Mexico and Singapore.

Remuneration Report Cont.

For FY22, the Company delivered strong growth in Total Transaction Volume, Gross Receivables, Revenue, Active Customer Accounts and Merchant Accounts. Consumer Net Promoter Scores and Employee Engagement also performed strongly. Higher credit losses drove lower Cash Net Transaction Margin and together with investments in new markets, negatively impacted the Company's Cash EBTDA.

The Zip share price and market capitalisation declined through FY22. Adverse macroeconomic and market conditions have resulted in significant reductions in the value of many high-growth technology companies, especially across the payments and 'Buy Now Pay Later' sector. The Board acknowledges the negative Total Shareholder Return (TSR), particularly in the second half of FY22, and supports the **shift in strategic focus** in response to significant changes in the external environment. Consequently, the Company is refocusing on delivering sustainable growth in the core markets of ANZ and the US, improving unit economics and optimising its global cost base, accelerating the path to Cash EBTDA profitability in FY24.

The Board's Remuneration, People and Culture Committee keeps the Company's remuneration policies under regular review to ensure they advance the Board's strategic goals, resulting in high retention rates for key talent as well as reflect shareholder interests and expectations. This year the Committee has further refined the remuneration framework and has canvassed the views and feedback from shareholders, including proxy advisors, to drive performance in the long-term interests of shareholders.

The **primary governance challenges** facing the Committee through FY22 related to responding to the Company's lower market capitalisation, and careful judgement has been exercised in striking a balance between various stakeholders' interests in the following key areas:

- Improving transparency to clearly demonstrate how the Company's remuneration framework is being implemented. Improvements on the transparency on the Short-Term Variable Reward (STVR) measures and performance hurdles, and the Long-Term Variable Reward (LTVR) program measures and hurdles are outlined in this report;
- The Company is focused on retaining talent in key roles with high-demand skills which are under significant market pressure;
- The Company is focused on ANZ and the US, requiring the Company to increasingly compete for talent in the US, which traditionally pays significantly more remuneration than the Australian market, putting upward pressure on executive remuneration for US-sourced and based talent;
- The Company has relied significantly on equity-based remuneration to attract, retain and align talent at all levels. Such remuneration is generally determined as a percentage of Fixed Salary, and with declines in the share price, a larger number of Shares is required to satisfy current, or even reduced values of, equity-based remuneration. The combination of reduced equity opportunities for executives, and the larger number of units that will be involved, based on a low share price, is viewed by the Board as a reasonable balance between stakeholder expectations. Consequently, the Board intends to seek approval at the 2022 Annual General Meeting to update and increase the capacity of the Employee Incentive Plan, which is necessary to offer market competitive variable rewards to Employees based on a lower share price, with planned reductions in the value of the grants to Executives as noted;
- The lower market capitalisation is likely to lead to external assessments of executive packages although Zip's scale and complexity, and consequently the size/difficulty of executive roles has increased. The Board views that the Fixed Salary for Executives as fair with no changes required, however, new offers for Variable Remuneration will be modified with a lower award opportunity; and
- The Board has reviewed Non-Executive Director (NED) fees in line with the new comparator set to ensure that they are fair and responsible and has made changes in FY23 as detailed in this report.

The Board is focused on **linking FY22 remuneration outcomes with performance**. To reflect the experience of shareholders in FY22, the following remuneration outcomes are detailed in this report:

- The CEO and COO have elected to forfeit their participation in the STVR Plan for FY22;
- The CFO will receive a STVR outcome of only 28.6% of the Maximum award opportunity for FY22;
- The LTVR hurdles for the three-year measurement period FY20 to FY22 (just completed) have not been achieved and no vesting will occur; and
- No Board discretion has been exercised on any remuneration outcome for FY22.

The Board has responded to the new strategic focus and market comparator set and made the following **changes to the remuneration framework for FY23**, which are detailed in this report:

- STVR: Performance measures for FY23 have been redefined so as to align with the refocused strategy;
- LTVR: The Board has elected to reduce the LTVR award opportunity for all Executive KMPs to 25% for Target and 50% for Maximum of Fixed Salary from FY23. Additionally, the performance measure will shift from an absolute to an indexed TSR which compares the TSR of the Company to the TSR of the ASX 300 Accumulation Index; and
- NED Remuneration: NEDs have elected voluntarily to reduce the Director's fees from 1 July 2022, to be partially facilitated by a new NED Equity Plan for Restrictive Rights which will be subject to Shareholder approval at the 2022 Annual General Meeting.

The Board recognises that it needs to balance the linking of variable remuneration outcomes with shareholder value with being able to attract and retain the talent needed to deliver on the Company's strategic goals. The Board is of the view that the overall remuneration framework, which continues to undergo development as circumstances evolve, appropriately balances factors such as retention and disclosure with meaningful performance measures that are strongly linked to shareholder value. Performance on financial, customer and employee measures are integrated into the overall remuneration framework. The FY22 remuneration outcomes reflect the intended operation of the remuneration framework which is designed to manage a range of performance and risk outcomes.

Finally, the Board seeks to develop and implement a fair, responsible and competitive remuneration framework that rewards decision-making and performance that aligns with the long-term interests of Shareholders and with Zip's standards of behaviour and risk appetite. The Board believes the remuneration framework to be appropriate and effective to attract and retain high-quality KMP and Executives to operate, manage and drive performance.

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

John Batistich
Chair – Remuneration, People and Culture Committee

Remuneration Report Cont.

2. LIST OF KMP FOR FY22

This report covers NEDs and Senior Executives who are considered to be KMP. The Table below identifies the KMP for Zip for FY22:

TABLE 1 — LIST OF KMP FOR FY22

				COMMITTEE MEMBERSHIP		
KMP	ROLE	APPOINTED	CEASED	AUDIT AND RISK	REMUNERATION PEOPLE AND CULTURE	NOMINATIONS
Diane Smith-Gander AO	Independent Non-Executive Chair	1/2/21	n/a	Y	Y	C
John Batistich	Independent Non-Executive Director	3/9/18	n/a	C[1]	C	Y
Pippa Downes	Independent Non-Executive Director	1/10/20	22/6/22	C	Y	Y
Larry Diamond	Chief Executive Officer and Executive Director	1/7/16	n/a			
Peter Gray	Chief Operating Officer and Executive Director	1/7/16	n/a			
Martin Brooke	Chief Financial Officer	9/1/17	n/a			

C = Chair of Committee. Y = Member of Committee.

1. John Batistich became chair of the Audit and Risk Committee when Pippa Downes resigned from the Board.

Following the end of FY22 Meredith Scott was appointed as a Director of Zip, Chair of the Audit and Risk Committee and member of the Remuneration, People and Culture and Nomination Committees effective from 1 September 2022.

3. REMUNERATION OVERVIEW FOR FY22

3.1 ZIP REMUNERATION FRAMEWORK

With a focus on the path to profitability the Board seeks to drive strategic alignment, attract and retain quality talent, create a simple and transparent design, ensure that remuneration supports high performance, strengthens culture (including risk management), and drives sustainable value for Shareholders.

The Table below outlines Zip's remuneration structure for FY22 for the Executive KMP:

TABLE 2 — ZIP REMUNERATION FRAMEWORK SUMMARY

	TOTAL FIXED REMUNERATION		VARIABLE REMUNERATION	
Element	**Fixed Pay**	**Long-Term Equity (LTE)**	**Short Term Variable Reward**	**Long-Term Variable Reward**
Purpose	Attract and retain Executives, considering the size and complexity of the role, individual responsibilities, experience and skills in the context of the external market.	Provides Zip with the best opportunity to attract and retain high quality talent across the business by supplementing moderate cash Fixed Pay with equity that provides skin-in-the-game while minimising cash-drain.	STVR rewards performance against annual objectives that focus on delivering short-term strategic outcomes.	LTVR aligns Executive accountability and remuneration outcomes with the delivery of sustained group performance and shareholder interests over the long-term.
Delivery	Base salary (including salary sacrifice) and superannuation.	Rights with equal vesting over 4 years (25% per year).	Ordinary shares with 50% subject to a 12 month restriction period for Executive KMP.	Performance rights vesting after three years, subject to achieving performance hurdles.
FY22 Approach	TFR is positioned at or around the P50 (i.e. median) of market benchmarks, however, the Board has discretion to alter positioning to recognise individual factors.	Subject to continued performance, that meets expectations, and employment over the vesting period.	For FY22, STVR is measured against a balanced scorecard with performance hurdles, including the following measures: – TTV (30%) – Net Transaction Margin (15%) – Consumer Accounts (15%) – Consumer NPS (15%) – Employee Engagement (10%) In FY23, the performance measures will be modified with a focus on Cash EBTDA, in line with the path to profitability.	LTVR is positioned above the market median. For FY22, 100% of Rights are subject to a performance hurdle based on absolute Total Shareholder (TSR) Growth, according to the following vesting scale: **ABSOLUTE TSR GROWTH** / **% VESTING** ≥ 20% p.a. — 100% > 15% p.a. & < 20% p.a. — Pro-rata 15% p.a. — 50% < 15% p.a. — 0% In FY23, this metric is being replaced with an indexed TSR detailed in this report.

Remuneration Report Cont.

Remuneration at Zip is delivered in cash and equity vesting over a number of years. The Table below outlines when the different components of remuneration are awarded and when they vest (for the at-risk components):

TABLE 3 — EXECUTIVE KMP REMUNERATION DELIVERY PROFILE

TYPE	COMPONENT	INSTRUMENT	FY22	FY23	FY24	FY25	FY26
Total Fixed Remun-eration	**Fixed Pay**	Salary and Superannuation	Paid monthly during the FY				
	LTE	Rights subject to continued performance and employment	Issued during FY vesting over 4 years	25% vest	25% vest	25% vest	25% vest
Variable At-Risk	**STVR**	Ordinary Shares subject to performance against balanced scorecard	50% of the shares are restricted for 12 months	50% of shares become unrestricted			
	LTVR	Performance Rights subject to achievement of TSR performance hurdles	Granted during the FY	LTVR perform-ance period		LTVR vests subject to TSR perform-ance	

3.2 GROUP PERFORMANCE

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

For FY22, the Company delivered strong growth in Total Transaction Volumes, Customer Accounts, Gross Receivables and Revenue. Elevated credit losses and investments in new global markets negatively impacted Cash Net Transaction Margin and Cash EBTDA.

The Zip share price and market capitalisation declined in the context of a significant devaluation of many comparable high-growth technology and payments companies. The Board is committed to rebuilding shareholder value over the long-term and has taken actions to position the Company to deliver profitability in FY24. The Table below outlines the key performance measures over the last 5 years:

TABLE 4 — PERFORMANCE INDICATORS OVER LAST 5 YEARS

YEAR ENDING 30 JUNE	FY22	FY21	FY20	FY19	FY18
Total Transaction Value ($ billions)	8.7	5.8	2.1	1.1	0.5
Consumer Accounts (millions)	11.4	7.3	2.1	1.3	0.7
Gross Receivables ($ billions)	2.7	2.1*	1.2	0.7	0.3
Revenue ($ millions excluding Other Income)	620.0	393.9*	160.1	82.9	39.3
Cash Net Transaction Margin (%)	2.3	3.1*	3.8	3.9	2.6
Cash EBTDA ($ millions)	(207.0)	(48.0)*	3.5	9.2	(8.8)
Share Price High ($)	8.78	14.53	6.97	3.98	1.27
Share Price Low ($)	0.44	4.96	1.05	0.84	0.56
Share Price Open ($)	7.57	5.23	3.31	0.87	0.65
Share Price Close ($)	0.44	7.57	5.23	3.31	0.87
Dividends paid in year	–	–	–	–	–

* The comparative information for FY21 is restated. Please refer to Note 28 in the financial statements.

Remuneration Report Cont.

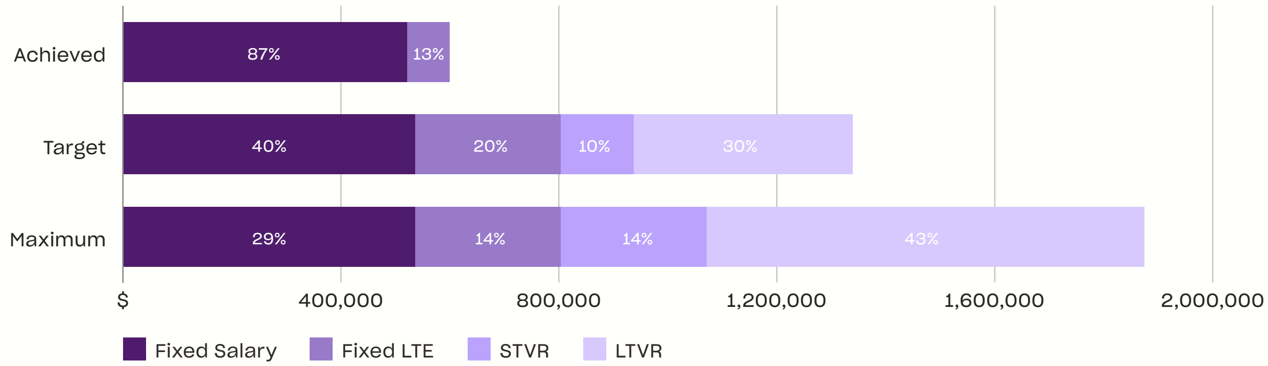
3.3 EXECUTIVE REMUNERATION OPPORTUNITIES AND OUTCOMES

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

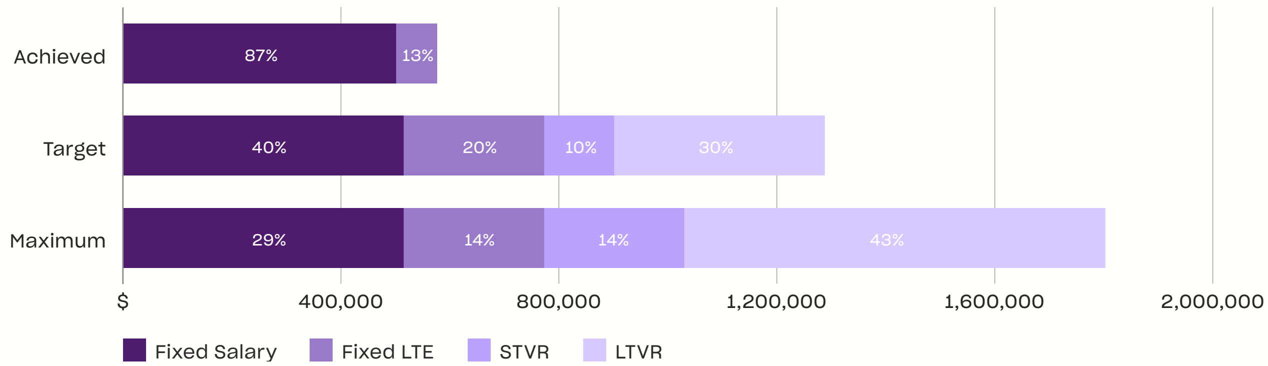
The Figure below features three graphs depicting the 'Achieved' FY22 remuneration mix for the Executive KMP relative to the Target and Maximum level of performance. Importantly, the CEO and COO have elected to forfeit their participation in the STVR award for FY22 to align with shareholders' experience. Further, the LTVR performance hurdle will not be achieved for the FY22 measurement period.

FIGURE 1 – FY22 REMUNERATION OPPORTUNITIES AND OUTCOMES

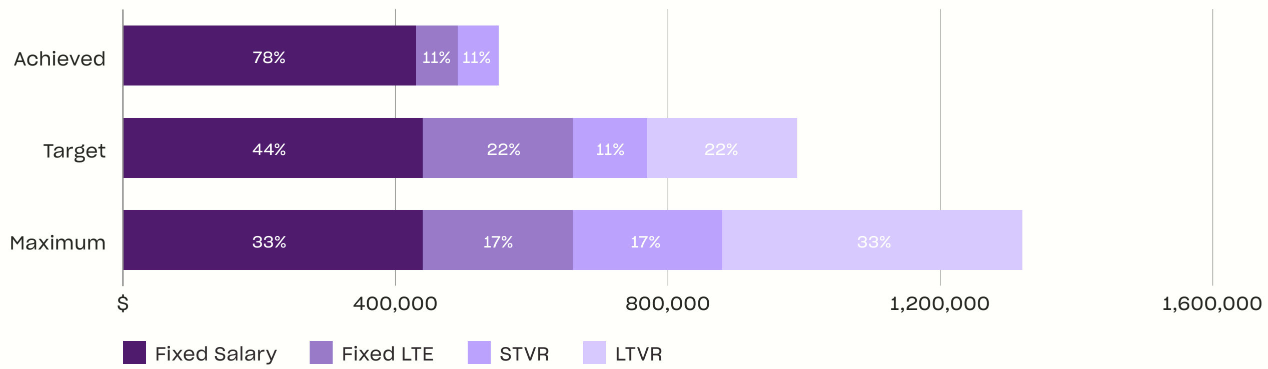
a. Chief Executive Officer and Executive Director



b. Chief Operating Officer and Executive Director



c. Chief Financial Officer



3.4 KEY GOVERNANCE CONSIDERATIONS FOR FY22

The Board undertakes regular reviews of the remuneration framework to ensure appropriateness giving consideration to the business strategy and the changing global competition for talent, particularly amongst high-demand technology, engineering, product, data analytics, cyber security and customer relationship roles. Zip's expansion into the US and other global markets has changed the size, scope and complexity for key roles. Further, significant changes in the market capitalisation of the Company, have changed the market comparator set. Market benchmarking (with the assistance of independent advisors) was implemented to ensure that the remuneration framework remains fair and competitive against the comparator companies including those that Zip competes for global talent.

During FY22 the Board responded to feedback from stakeholders, including investors and Proxy Advisors, making enhancements to the remuneration framework and its reporting. These changes include:

- Greater detail has been provided on how the performance hurdles for variable awards are determined. Specifically, the performance measures for the STVR Plan now feature the details on the Target and Maximum hurdles;
- TSR remains the sole performance hurdle for the LTVR Plan to directly align the award opportunity with shareholders' long-term interests. The Committee has again reviewed whether the introduction of a second LTVR performance measure is appropriate. It remains the Board's view that an additional measure is not appropriate at Zip's current stage of development. The Committee regards the application of a TSR performance measure to be the most effective model of aligning long-term executive performance with shareholder value outcomes and will review the appropriateness of the single measure LTVR program on an annual basis;
- The performance measure for the LTVR Plan will change from an absolute to an indexed Total Shareholder Return (TSR) from FY23. Target is TSR compound annual growth of between 5% and less than 10% relative to the ASX 300 Accumulation Index, and Maximum is TSR compound annual growth of at least 10% relative to the ASX 300 Accumulation Index; and
- The LTVR retesting clause was removed in FY22 and any rights that do not vest at the testing point will lapse for any new plans.

3.5 REMUNERATION CHANGES FOR FY23

In line with shareholders' experience and the strategic shift for the Company, the Board has responded with a range of remuneration changes for FY23 as outlined below.

a. STVR Plan Changes for FY23

The STVR performance measures will change to reflect a refocus on strategic goals to deliver a path to profitability with the addition of a Cash EBTDA measure weighted at 50% of the award opportunity. The Table below outlines the change in performance measures and weighting for the award opportunity:

TABLE 5 — STVR PERFORMANCE MEASURES CHANGES

FY22	FY23
– Total Transaction Volumes $ (30%)	– Cash EBTDA $ (50%)
– Net Transaction Margin % (30%)	– Net Transaction Margin % (30%)
– Consumer Accounts (15%)	– Total Transaction Volumes $ (5%)
– Consumer NPS (15%)	– Consumer – Monthly Transacting Users % of last 12 month active users (5%)
– People – Employee Engagement % (10%)	– People – Employee Engagement % (10%)

Remuneration Report Cont.

These performance measures have been chosen to best reflect financial and non-financial performance aligned to the Company's strategic goals over the short term. Cash EBTDA, Cash Net Transaction Margin and TTV and are considered the most appropriate financial measures aligned to the Company's strategic goal to grow with positive unit economics, effective cost management to deliver profitability in FY24. These financial measures now account for 85% of the STVR scorecard.

The remaining 15% of the STVR scorecard is weighted to customer and people measures. Customers are central to Zip's mission and the scorecard measures driving higher levels of engagement through higher monthly active usage. The Employee engagement measure is retained and is independently measured for Australia and United States markets scoring employee satisfaction and discretionary effort to support the Company's ability to grow and develop talent and drive a high performance culture.

b. LTVR Plan Changes for FY23

For FY23, after making an assessment against a revised market comparator set based on Zip's new market capitalisation, the Board has elected to reduce the LTVR opportunity for all Executive KMPs to a maximum of 50% of base salary.

Additionally, the performance measure will shift from absolute to an indexed TSR which compares the TSR of the Company to the TSR of the ASX 300 Accumulation Index (Index) with the vesting percentages to be determined by the following scales:

TABLE 6 — LTVR PERFORMANCE MEASURES CHANGES

ZIP'S TSR COMPARED TO MOVEMENT IN ASX 300 ACCUMULATION INDEX	% VESTING
= index movement + 10%	100%
> index movement + 5% & < index movement + 10%	Pro-rata
= index movement + 5%	50%
< index movement + 5%	0%

Indexed TSR was selected as it recognises the total returns (share price movement and dividends assuming they are reinvested into Company shares) that accrue to shareholders over the measurement period. This measure creates the most direct alignment between shareholder return and rewards realised by Senior Executives. TSR performance is assessed after the end of the measurement period, and is aligned with the release of results to ensure that the share price upon which TSR is determined reflects an informed market.

Indexed TSR was selected to ensure that participants do not receive windfall gains from broad market movements unrelated to the performance of the Executive KMP.

Vesting commences upon TSR exceeding the Index TSR by 5% compound annual growth, with full vesting occurring once Zip's TSR exceeds the Index TSR by 10% compound annual growth over the performance period. The TSR must be positive to be awarded. This hurdle has been determined with regard for the historic performance of the ASX 300 Accumulation Index whereby 5% compound annual growth or greater represents upper quartile performance. This would, in the Board's view, represent a strong outcome for the Company and its Shareholders.

c. NEDs Fee Changes for FY23

Following the end of the financial year, the Committee reviewed the Board fees in light of the reduction in Zip's share price. As a result of this review against a new comparator set, the Board decided to voluntarily reduce Board fees to bring them in line with the market benchmarks and in recognition of the experience of shareholders. The Table below sets out the reduced fees for FY23 effective from 1 July 2022:

TABLE 7 — FY23 NON-EXECUTIVE DIRECTOR FEES

	FY22		FY23 (EFFECTIVE 1ST JULY 2022)	
ROLE	CHAIR FEE[1]	DIRECTOR/ MEMBER FEE	CHAIR FEE	DIRECTOR/ MEMBER FEE
Main Board	$300,000[2]	$150,000	$260,000[3]	$130,000[3]
Audit and Risk Committee	$25,000	$12,500	$20,000	$10,000
Remuneration, People and Culture Committee	$12,500	$12,500	$10,000	$10,000

1. The Board chair does not receive additional fees for serving on Committees.
2. The Board chair fee was increased to $300,000 during the financial year in line with the comparator set early in FY22.
3. $40,000 of the Chair Fee and $20,000 of the Board Member Fee are to be provided in a NED Equity Plan, with Restricted Rights, subject to Shareholder Approval at the 2022 AGM.

4. ZIP'S REMUNERATION STRATEGY, POLICY AND FRAMEWORK

4.1 REMUNERATION PRINCIPLES

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

Strategic Alignment
Provide clear alignment of remuneration with strategic objectives and Shareholder value

Market Competitive
Provide market competitive remuneration to attract and retain quality global talent

Performance Based
Support merit-based remuneration achievement across a diverse and inclusive workforce

Simple and Transparent
Implement remuneration policies that are simple, transparent and well understood

Enhances Culture
Support appropriate risk culture and employee conduct aligned to our standards

Sustainable Value
Reward sustainable outper-formance

Remuneration Report Cont.

4.2 ZIP REMUNERATION GOVERNANCE

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

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

FIGURE 2 — REMUNERATION GOVERNANCE FRAMEWORK

BOARD

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

COMMITTEE

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

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

MANAGEMENT

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

CONSULT SHARE-HOLDERS AND PROXY ADVISORS

REMUNERATION ADVISORS

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

The Board is satisfied that any advice provided by Godfrey Remuneration Group (GRG) was made free from undue influence from any KMP in FY22.

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

All performance is assessed by the Board with reference to Company risk management policies. The Board retains the ultimate discretion to adjust remuneration outcomes and/or unvested variable rewards (including to zero). This applies to equity granted under the LTE, deferred STVR and LTVR plans if information comes to light that all or part of the award was not justified.

4.3 BOARD POLICY FOR SETTING REMUNERATION

During FY22 the remuneration framework for Executive KMP was made up of four components: Fixed Remuneration (includes superannuation or any salary sacrifice), Fixed LTE, 'at-risk' STVR and 'at-risk' LTVR. The aggregate of Salary, Superannuation and LTE (Total Fixed Remuneration) seeks to position KMP remuneration at or around median of the market comparator set, with more weighting towards 'at-risk' STVR and 'at-risk' LTVR to support decision making and performance aligned to Shareholders' long-term interests.

a. Total Fixed Remuneration

When setting remuneration for Executive KMP, the Committee references comparator sets relevant to the market sector on the basis of the market capitalisation in the context of the individual's role and performance. Benchmark groups are designed to be based on 20 companies from the same market sector, within a range of 50% to 200% of the market value of the Company at the time, and evenly balanced to ensure measures of central tendency are highly relevant. Total Fixed Remuneration comprises base Salary plus any other fixed elements such as superannuation, LTE, allowances, benefits and fringe benefits tax. Total Fixed Remuneration (including LTE) is intended to be positioned at or around P50 of market benchmarks for comparably designed roles, subject to a range of +/- 20% compared to the policy midpoint, to reflect individual/incumbent factors such as experience, qualifications and performance.

Remuneration Report Cont.

Three comparator sets were reviewed for Senior Executives as follows:

TABLE 8 — FY22 COMPARATOR SETS

ASX INDUSTRY COMPARATOR GROUP	ASX MARKET CAPITALISATION COMPARATOR GROUP	US MARKET COMPARATOR SET
HUM Humm Group Ltd	EML EML Payments Ltd	CSGS CGS Systems Intl Inc
MNY Money3 Corp Ltd	MP1 Megaport Ltd	CNDT Condulent Inc
OCL Objective Corp Ltd	IFL IOOF Holdings Ltd (prior to change of control)	SYKE Sykes Enterprises Inc
CCP Credit Corp Group Ltd	PDL Pendal Group Ltd	UIS Unisys Corp
EML EML Payments Ltd	LNK Link Administration Holdings Ltd	CATM Cardtronics PLC
LNK Link Administration Holdings Ltd	NHF NIB Holdings Ltd	ZUO Zuora Inc
TNE Technology One Ltd	TNE Technology One Ltd	PING Ping Identity Holding Corp
CGF Challenger Ltd	CGF Challenger Ltd	PRO Pros Holdings Inc
AMP AMP Ltd	AMP AMP Ltd	ROOT Root Inc/OH
ALU Altium Ltd	ALU Altium Ltd	FRME First Merchants Corp
NXT NextDC Ltd	ALQ ALS Ltd	VG Vonage Holdings Corp
BEN Bendigo and Adelaide Bank Ltd	NXT NextDC Ltd	KNSL Kinsale Capital Group Inc
BOQ Bank of Queensland Ltd	BEN Bendigo and Adelaide Bank Ltd	LPSN Liveperson Inc
MPL Medibank Private Ltd	QUB Qube Holdings Ltd	MSP Datto Holding Corp
CPU Computershare Ltd	BOQ Bank of Queensland Ltd	APPF Appfolio Inc
MFG Magellan Financial Group Ltd	ALX Atlas Arteria Ltd	WK Workiva Inc
WTC WiseTech Global Ltd	SVW Seven Group Holdings Ltd	ALTR Altair Engineering Inc
SEK Seek Ltd	MPL Medibank Private Ltd	AYX Alteryx Inc
IAG Insurance Australia Group Ltd	CPU Computershare Ltd	QTWO Q2 Holdings
APT Afterpay Ltd (prior to change of control)	MFG Magellan Financial Group Ltd	BL Blackline Inc

While all comparator groups are used as reference points to gain insights into market practices, the primary comparator group for benchmarking purposes is the ASX Market Capitalisation Comparator Group.

The Company recognises the need to deliver on business strategy and to compete for top talent in a competitive market. Accordingly, the Company considers the following factors in setting executive remuneration packages:

- Australia and US comparators with whom Zip must compete for talent;
- ASX listed financial and technology sector comparator sets at comparable market capitalisation;
- The Executive's contribution to the delivery of key strategic goals; and
- The Executive's contribution to long-term Revenue and Cash EBTDA outcomes.

The Committee sets the remuneration mix and quantum taking into account the above factors, and considering market conditions and sentiment, the trajectory of the Company's growth, strategic objectives, competency and the skill sets of individuals, scarcity of talent, changes in role complexities and the geographical spread of the Company.

b. Variable Remuneration & Total Remuneration Package

Total Remuneration Package (TRP) is intended to be composed of an appropriate mix of remuneration elements including Fixed Remuneration, Long-Term Equity, STVR and LTVR.

The Target TRP (TTRP, being the TRP value at Target performance) is generally intended to fall around the P62.5 of market benchmarks, subject to smoothing for volatility across role samples at the same level. The Board views P62.5 market positioning as an indicator of actual P50 TTRP opportunities in the market due to AASB2 accounting treatments. As a result, total package market data P50 benchmark values are lower than actual P50 opportunities offered to incumbents in the market. This has been established by research conducted by the Board's appointed independent external Remuneration Consultant. The Board has selected P62.5 as the intended TTRP market position to adjust for the impact of nil and negative reported variable remuneration on statistical benchmarks.

The gap between P50 Fixed Remuneration and P62.5 Target TRP is composed of variable remuneration in the form of 'at-risk' short and long-term incentives designed to drive performance and value creation for shareholders.

4.4 FIXED REMUNERATION

TABLE 9 — FIXED PAY – SALARY AND SUPERANNUATION

Purpose	Attract and retain Executives, considering the size and complexity of the role, individual responsibilities, experience and skills.
Delivery	Fixed remuneration comprises cash salary, salary sacrifice items (where applicable) and superannuation contributions (or global equivalents).
Participants	All Executives.
Target	Highly competent, experienced and able Executives will be positioned at or around the median of the market benchmark, however, there will be flexibility to move up to the 75th percentile for exceptional recruits into key high-demand roles.
Approach	Our fixed remuneration is positioned moderately having regard to the role, global responsibilities, criticality, complexity, skills, experience, performance and comparable companies with whom Zip competes for talent. An annual review process makes adjustments to fixed remuneration for changes in role or promotion, internal equity and significant market changes. Any increases to KMP remuneration requires Remuneration, People and Culture Committee endorsement and Board approval.

External benchmarking undertaken in July 2021 found that the fixed remuneration for the Executive KMP as positioned moderately against the market comparator sets. As a result, moderate increases were made at the beginning of the year to bring the Executive KMP closer in line with the market as outlined in the Table below:

TABLE 10 — FIXED PAY CHANGES DURING FY22

ROLE	EXECUTIVE	FIXED REMUNERATION AT THE END OF FY21	FIXED REMUNERATION AT THE END OF FY22	CHANGE %
Managing Director and Chief Executive Officer	Larry Diamond	$520,000	$535,600	3%
Executive Director and Chief Operation Officer	Peter Gray	$500,000	$515,000	3%
Chief Financial Officer	Martin Brooke	$400,000	$440,000	10%

Note these increases do not include the equity component of Total Fixed Remuneration (i.e. Long-Term Equity).

Remuneration Report Cont.

In the second half of FY22, and as a result of the declines in market capitalisation, the Committee reviewed Executive and Director remuneration against that of ASX listed companies within a market capitalisation range of $500 million to $1 billion to sense check the decisions made based on the full benchmarking exercise in July 2021. The Board found that the Fixed Salary and STVR Plans were fair and not excessive, with the CEO well below the median and COO and CFO above the median. Further, the LTVR Plan award opportunity has been reduced from FY23.

4.5 FY22 LONG-TERM EQUITY (LTE) GRANTS

TABLE 11 — FIXED REMUNERATION: LTE

Context	When the LTE grants were proposed and approved by Shareholders (for Executive Directors) at the 2021 AGM, benchmarks against a larger market capitalisation comparator set positioned the LTE grants as compensating for a conservative position on Fixed Base. With the forfeiting of the STVR by the CEO and COO, and the LTVR grant not vesting with respect to performance during FY22, the Board considers the Total Remuneration Package as fair.
Purpose	The LTE plan is designed to compensate Executives for a moderate positioning of Fixed Salary Remuneration and is designed to bring Total Fixed Remuneration closer in line with the global market. The LTE provides the Company with the best opportunity to retain senior leaders and attract high quality talent particularly in the US where LTEs are common.
Delivery	The LTE rewards retention and is based upon service rather than performance which is covered in the STVR and LTVR. The rights vest in equal tranches over 4 years (i.e. 25% per year). There are no disposal restrictions by participants upon the shares Executives receive upon vesting of the Rights other than trading in adherence of the Zip Securities Trading Policy.
Participants	Executive KMP and Senior Executives with high demand skills, especially in the US.
Instrument	Awards are made under the Zip Employee Incentive Plan and are made in the form of Rights with a nil exercise price, which upon vesting confer the entitlement to one ordinary share in Zip Co Limited (or the cash equivalent value at the discretion of the Board).
Allocation Method	Rights are granted on a face value basis by dividing the participant's LTE dollar value opportunity in AUD by the 30-day (Volume Weighted Average Price) VWAP of Zip Co Limited shares traded in the period immediately leading up to the release of the Zip results immediately preceding the grant date. For the Executive KMP, the half year results are used to determine the grant value with the Rights issued in March.
Approach	The LTE is granted annual as Rights to participants, which vest conditional on tenure. The participant's Rights vest based upon ongoing employment unless death or permanent disability where the Board reserves the discretion to pro-rata the award in line with service. Parental and sick leave is included in the tenure period of the LTE. Where there are any discrepancies on the offer, the plan rules will prevail.
Opportunity	Executive KMP have the opportunity to be awarded 50% of base salary vesting over 4 years.
Board Discretion	As part of its overarching discretion, the Board may reduce the final vesting of LTE awards having regard to affordability considerations and the Group's financial performance over the period.

Malus	Amongst other things, the Board may elect to forfeit any unvested awards (i.e. malus) or recoup any vested and paid awards (i.e. clawback) in the following circumstances: – a participant has engaged in serious misconduct (including but not limited to fraud, dishonesty, gross negligence or a breach of employment conditions); – a material misstatement in, or omission from the Group's financial statements or a misstatement of an applicable vesting condition; – a participant has acted or failed to act in a way that has contributed to material reputational damage to the Group; or – in the opinion of the Board, acting in good faith, all or part of the initial LTE grant is no longer justified having regard to the circumstances or information which has subsequently come to light.
Cessation of Employment	If the participant ceases employment then all their unvested rights automatically lapse unless the Board determines otherwise. In the case of death or permanent disability, the Board reserves the discretion to pro-rata the award in line with service.
Change of Control	In the event of a Change of Control, the Board has the discretion to determine the treatment of all unvested rights.

Grants were made to the Executive KMP under the LTE plan on 8 March 2022. The grants for the two Executive Directors, the CEO and COO, were approved by Shareholders at the AGM held on 4 November 2021. The first eligible vesting date will be in March 2023. The Table below outlines the LTE grants and vesting dates which are subject to continued individual performance and ongoing employment.

TABLE 12 — LTE GRANTED IN FY22

EXECUTIVE	LTE OPPORTUNITY	MAXIMUM OPPORTUNITY AS A % OF BASE SALARY	NUMBER OF RIGHTS GRANTED	VESTING DATES
Larry Diamond *Executive Director and CEO*	$256,016	50%	22,034	8 March 2023
			22,033	8 March 2024
			22,033	8 March 2025
			22,033	8 March 2026
Peter Gray *Executive Director and COO*	$245,716	50%	21,146	8 March 2023
			21,147	8 March 2024
			21,147	8 March 2025
			21,147	8 March 2026
Martin Brooke *CFO*	$208,216	50%	17,919	8 March 2023
			17,919	8 March 2024
			17,920	8 March 2025
			17,920	8 March 2026

Remuneration Report Cont.

4.6 FY22 SHORT-TERM VARIABLE REWARD PLAN

TABLE 13 — FY22 STVR KEY TERMS

Purpose	– Rewards financial and non-financial performance consistent with Zip Co's strategy over the short-term. – Varies the remuneration outcomes in line with the Company's annual performance with a balanced focus on financial, customer and people measures.
Participants	All permanent Zip employees are eligible to participate in the STVR plan.
Award Opportunity	– Executive KMPs have the opportunity to be awarded 25% of Base Salary at Target performance and 50% at Maximum performance. – For Executive KMP, the STVR award is based entirely on the Group performance.

FY22 Performance Measures	– The performance period is Zip's financial year.
	– For FY22, the STVR performance was based upon a balanced scorecard aligned to key strategies with the following measures:
	  – Financial – TTV (30%) and Net Transaction Margin (30%);
	  – Customer – Consumer Accounts (15%) and Consumer NPS (15%); and
	  – People – Employee Engagement (10%).
	– These performance measures were chosen to best reflect financial and non-financial performance aligned to Zip's high-growth global strategy over the short-term.
	– Executive Directors determined the Budget, which became the STVR Target, and the Stretch goals, which became the STVR Maximum. The performance measure and hurdles were reviewed and approved by the Board.

Assessment of Performance	– Performance measures for the STVR balanced scorecard features Target (Budget) and Maximum (Stretch) performance hurdles as follows:
	  – Financial: Total Transaction Volumes, Cash Net Transaction Margin: Target is the approved Budget and the Maximum is the approved Stretch goal;
	  – Customer: Consumer Accounts and Consumer NPS: Target is the approved Budget and the Maximum is the approved Stretch goal; and
	  – People: Employee Engagement Score: Target and Maximum are set based on comparable high-performance organisations and prior year performance.
	– The following payout scale applies for the STVR:
	  – Below Target performance standard, no STVR will be awarded;
	  – At Target performance, 50% of the maximum will be awarded;
	  – Above Target and below Maximum performance, a pro-rata STVR will be awarded; and
	  – At or above Maximum performance standard, the full STVR will be awarded.

Delivery	– For the Executive KMP, 100% of STVR is awarded in Ordinary Shares. 50% of any award can be traded immediately with the remaining 50% subject to a one-year restriction period. All deferred STVR awards are subject to the Board discretion and malus and clawback provisions. Deferred shares have rights to any dividends declared during the deferred period. – The number of Shares are calculated on a face value basis by dividing the participants assessed STVR dollar value in AUD by the 30-day VWAP of Zip Co Limited shares traded in the period immediately leading up to the release of the Zip annual results. All trading is subject to Zip Securities Trading Policy.
Cessation of Employment	– If an Executive leaves during the performance period, then they will forfeit their entitlement to an award unless the Board determines otherwise. If an Executive leaves during the deferral period, then they will retain their shares subject to malus and clawback provisions.
Change of Control	– Where a transaction or event is proposed that, in the opinion of the Board, may result in a person becoming entitled to control Zip Co Limited, the Board retains the discretion (to be exercised consistently with the ASX Listing Rules) to determine that a particular treatment will apply to all shares.
Board Discretion	– The Board retains absolute discretion in respect of STVR awards and final outcomes. As part of its overarching discretion, the Board may reduce final STVR awards having regard to affordability considerations and the Group's financial performance over the period. – In addition to this overarching discretion, final STVR outcomes will be subject to a Board discretion modifier for "doing the right thing" whereby the Board may make downward adjustments (including to zero) for regulatory issues, conduct issues, brand and reputational issues, and non-financial and financial risk issues.
Malus	Amongst other things, the Board may elect to forfeit any unvested awards (i.e. malus) or recoup any vested and paid awards (i.e. clawback) in the following circumstances: – a participant has engaged in serious misconduct (including but not limited to fraud, dishonesty, gross negligence or a breach of employment conditions); – a material misstatement in, or omission from the Group's financial statements or a misstatement of an applicable vesting condition; – a participant has acted or failed to act in a way that has contributed to material reputational damage to the Group; or – in the opinion of the Board, acting in good faith, all or part of the initial STVR award is no longer justified having regard to the circumstances or information which has subsequently come to light.

Remuneration Report Cont.

4.7 FY22 LONG-TERM VARIABLE REWARD PLAN

TABLE 14 — FY22 LTVR PLAN KEY TERMS

Purpose	The LTVR aligns Executive accountability and remuneration outcomes with the delivery of sustained group performance and shareholder interests over the long-term. The plan is designed to vary remuneration outcomes in line with the extent of longer-term (three-year) performance achievement focused on shareholder returns.
Participants	All Executive KMPs and selected Senior Executives.
Award Opportunity	For FY22, the CEO and COO have the opportunity to be awarded 75% of Base Salary at Target performance and 150% at Maximum performance. The CFO has the opportunity to be awarded 50% of Base Salary at Target performance and 100% at Maximum performance. For FY23, the LTVR award opportunity will be reduced. Executive KMP will have the opportunity to be awarded 25% of Base Salary at Target performance and 50% at Maximum performance.
Delivery	Awards are made under the Zip Employee Incentive Plan and are made in the form of Performance Rights (Rights) with a nil exercise price which entitle the holder to one share in Zip upon vesting (or cash equivalent at the discretion of the Board).
Performance Period	The initial plan was a 3 year upfront offer with the Rights vesting in equal tranches after 3, 4 and 5 years from the issue date. After the initial 3 year plan there was a change towards annual issuance. From FY22, any LTVR will be an annual issuance. The measurement period for assessing Total Shareholder Return (TSR) performance is aligned with the release of results to ensure that the share price, upon which the TSR is determined, at the start and end of the performance period reflects an informed market.
Vesting Conditions	A participant must remain employed for the rights to vest (subject to good leaver treatment outlined below). Where there are any discrepancies on the offer, the plan rules will prevail. For the allocation made in FY22, the Rights were subject to a performance hurdle of absolute Total Shareholder Return (outlined below in FY22 Performance Hurdle). TSR measures the return (including dividends if applicable) that a shareholder would obtain from holding a Company's securities. From FY23, the Board has elected to change the performance hurdle for the LTVR moving from an absolute to relative TSR performance hurdle against the ASX 300 Accumulated Index (outlined in Section 3.5 of this Report).

FY22 Performance Hurdle	– Performance standards for the FY22 LTVR were:
	  – Target is annual TSR growth of 15%.
	  – Maximum is annual TSR growth of 20%.
	– Based upon the above the following vesting scale applies:
	  – Below Target performance standard, no LTVR will vest;
	  – At Target, 50% of the Maximum LTVR will vest;
	  – Above Target and below Maximum performance, the LTVR will vest on a pro-rata basis; and
	– At or above Maximum performance standard, the full LTVR will vest.

FY22 Performance Hurdle (continued)	The absolute TSR performance measure was selected as it directly aligns the award opportunity with shareholders' long-term interests. The Committee regards the application of a TSR performance measure to be the most effective model of aligning long-term executive performance with shareholder value outcomes. From FY23, the performance measure will shift to an indexed TSR performance measure as detailed in Section 3.5 of this Report.
Retesting	For grants made prior to FY22 any unvested Performance Rights at the first two testing points were carried forward and if the TSR hurdle at the final testing point was achieved, 100% of all the Performance Rights initially granted would vest. Importantly, from FY22 this retesting clause has been removed and any rights that do not vest at the testing point will lapse.
Malus	Amongst other things, the Board may elect to forfeit any unvested awards (i.e. malus) or recoup any vested and paid awards (i.e. clawback) in the following circumstances: – a participant has engaged in serious misconduct (including but not limited to fraud, dishonesty, gross negligence or a breach of employment conditions); – a material misstatement in, or omission from the Group's financial statements or a misstatement of an applicable vesting condition; – a participant has acted or failed to act in a way that has contributed to material reputational damage to the Group; or – in the opinion of the Board, acting in good faith, all or part of the initial performance rights award is no longer justified having regard to the circumstances or information which has subsequently come to light.
Cessation of Employment	Subject to Board discretion, if a participant ceases to be employed: – In "bad leaver" circumstances (e.g. termination for cause) during the performance period, all of the unvested LTVR rights will lapse (unless the Board determines otherwise); and – In "good leaver" circumstances (i.e. other than a bad leaver), the treatment of unvested LTVR rights will be at the discretion of the Board (subject to applicable laws). The Board's intention is that the LTVR rights will be pro-rated to time served in employment and left to be tested and vest in the ordinary course.
Change of Control	Where a transaction or event is proposed that, in the opinion of the Board, may result in a person becoming entitled to control Zip Co Limited, the Board retains the discretion (to be exercised consistently with the ASX Listing Rules) to determine that a particular treatment will apply to the LTVR Plan including that all unvested rights will lapse.

Remuneration Report Cont.

Grants were made to the Executive KMP under the LTVR Plan on 30 November 2021. The grants for the two Executive Directors were approved by shareholders at the AGM held on 4 November 2021. The Total Shareholder Return performance hurdle will be assessed in September 2024.

TABLE 15 — LTVR GRANTED IN FY22

EXECUTIVE	LTVR OPPORTUNITY $	MAXIMUM LTVR OPPORTUNITY AS A % OF BASE SALARY	NUMBER OF RIGHTS GRANTED	VESTING DATES
Larry Diamond *Executive Director and CEO*	$768,048	150%	105,504	14 September 2024
Peter Gray *Executive Director and COO*	$737,148	150%	101,260	14 September 2024
Martin Brooke *CFO*	$416,432	100%	57,204	14 September 2024

4.8 FY22 NON-EXECUTIVE DIRECTOR (NED) REMUNERATION

a. NED Remuneration Policy

The remuneration policy for NEDs seeks to deliver market competitive fees at the median of the comparator set to attract and retain talented, qualified directors, preserve independence, and align director and shareholder interests. The Board policy is to remunerate NEDs at market rates for comparable companies for time, commitment and responsibilities. Director fees are set with reference to relevant market benchmarks in the financial services, consumer, payments and technology sectors. The Board determines payments to the NEDs and reviews their remuneration annually, based on market practice, duties and accountability and consists of base fees and additional fees for membership and/or chairing of the Audit and Risk, and Remuneration, People and Culture Committee. No additional fees are paid for membership of the Nomination Committee.

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

b. Board Composition

The Zip Board had five Directors, three independent NEDs and two Executive Directors (being the CEO and COO), up until 22 June 2022, when one NED resigned. A third independent NED, Meredith Scott, was appointed to the Board on 1 September 2022.

As compared with the comparator set, the size of the Board was considered small for FY22. During FY22, the Board intended to appoint at least one incremental independent NED, based in the US, given the importance of the US market. This search for a US-based NED was put on hold during the consideration and negotiation of the Sezzle purchase agreement, which stipulated two Sezzle appointed Board positions. Now that the Sezzle purchase agreement has been mutually terminated, the Board intends to add at least one US-based NED in FY23.

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

c. NED Fees

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

The Table below sets out the FY22 Board and Committee fee structure (all fees are inclusive of superannuation):

TABLE 16 — FY22 NED FEES

ROLE	CHAIR FEE[1]	DIRECTOR/ MEMBER FEE
Main Board	$300,000[2]	$150,000
Audit and Risk Committee	$25,000	$12,500
Remuneration, People and Culture Committee	$12,500	$12,500

1. The Board chair does not receive additional fees for serving on Committees.
2. The Board chair fee was increased to $300,000 during the financial year in line with the comparator set early in FY22.

NEDs do not receive fees for serving on the Nomination Committee.

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

As outlined in Section 3.5 of this Report, NEDs have elected to voluntarily reduce Board fees and will seek approval from Shareholders to establish a modest NED Equity Plan.

d. Proposed Grant of Restricted Rights to NEDs for FY23

NEDs have elected to voluntarily reduce the Directors' fees from 1st July 2023 to be partially facilitated by a modest NED Equity Plan for Restrictive Rights.

The Company has established the NED Equity Plan to assist in the motivation, retention and reward of NEDs of the Company and providing an opportunity for the Directors to acquire shareholdings in the Company through the sacrifice of fees into equity. In line with ASX Listing Rule 10.14, the Company is required to obtain shareholder approval before granting any Securities to the NEDs.

In designing the Plan, the Directors have ensured that the incentives for NEDs do not conflict with their obligations to bring independent judgement to their roles. Consistent with Principle 8 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the grants of Securities will better align the interests of the NEDs with the interests of Shareholders. In accordance with these governance recommendations, the Securities are not subject to performance-based vesting conditions or vesting conditions of any kind.

The proposed issue of Restricted Rights to NEDs is subject to Shareholder approval. If the resolution is not passed, the Company will not be able to proceed with the grant of Restricted Rights and the whole of the Director fee payable will be paid in cash. If the resolution is passed but the NEDs do not accept the invitation to participate in the grant, the Company will not issue the Restricted Rights and the NEDs will not be entitled to be paid the relevant Directors Fees as cash.

Remuneration Report Cont.

The NED Equity Plan to grant Restricted Rights is outlined below:

TABLE 17 – PROPOSED FY23 NED EQUITY PLAN

ASPECT	DETAILS
Purpose	The purpose of the Zip NED Equity Plan (ZIPNEP) is to facilitate long-term holding of equity interests and assist NEDs in reaching the minimum shareholding requirement. Providing a portion of NED Fees in equity also creates "skin in the game" alignment between NEDs and Shareholders.
Instrument	Each NED will be invited to apply for Restricted Rights under the ZIPNEP, with a nil exercise price. Restricted Rights have been selected so as not to compromise NED's independence.
Opportunity	The grant is calculated to deliver a value of $40,000 to the Chair and $20,000 to each NED annually as part of their Main Board Fee.

Allocation Method	– It is proposed that Diane Smith-Gander AO, John Batistich and Meredith Scott will be invited to apply for the number of Restricted Rights, calculated as follows:
	  – Number of Restricted Rights = Cash Fee Sacrifice $ ÷ Right Value; and
	  – Where the Right Value is the Black Scholes valuation using the 30-day volume weighted average price (VWAP) following the release of FY22 financial results.

Term	Each Right has a Term ending 15 years after the grant date, and if not exercised before the end of the Term the Restricted Rights will lapse.
Vesting Conditions & Exercise Conditions	In order to ensure NED independence is not compromised, and to recognise that the instruments are an alternative to cash remuneration, the Rights are not subject to any vesting conditions. Rights may not be exercised within 90 days of the Grant Date.
Dealing & Disposal Restrictions	Rights may not be sold, transferred, mortgaged, charged or otherwise dealt with or encumbered, except by force of law. Shares acquired from the exercise of vested Rights will be subject to disposal restrictions due to: – The Company's securities trading policy; – The insider trading provisions of the Corporations Act; – 12-month-on-sale restrictions under the Corporations Act; and – Specified Disposal Restrictions included in the Invitation. Zip will ensure that such restrictions are enforced due to the presence of CHESS holding locks or alternatively by any trustee of an Employee Share Trust that may be engaged in connection with the Plan.
Corporate Actions	In the event of a change of control or delisting, Exercise Restrictions will cease on the date determined by the Board.

e. NEDs Shareholding Policy

A minimum shareholding policy exists. This requirement is designed to facilitate share ownership and further strengthen the alignment between Directors and the Group's shareholders. NEDs will be required to build a shareholding with a monetary value (at cost) equal to 1x the base director fee within a three-year timeframe being the later of:

- Three years from the effective date of the policy in October 2021; or
- Three years from date of commencement as a NED for those appointed after October 2021.

f. Aggregate Fee Pool

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

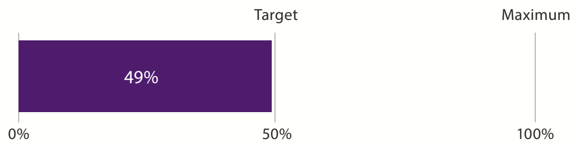
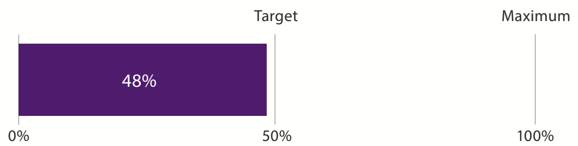
5. THE LINK BETWEEN PERFORMANCE AND REWARD IN FY22

5.1 FY22 STVR OUTCOMES

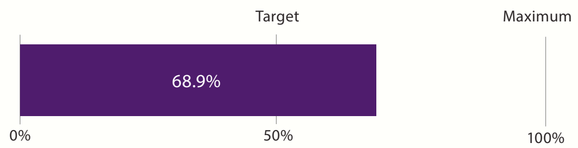
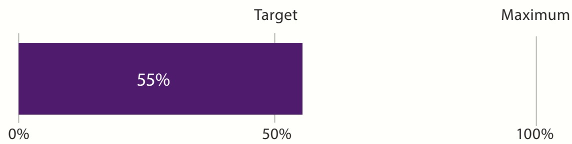
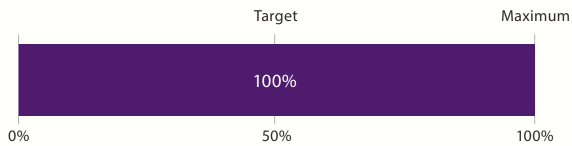
For FY22, a Target and Maximum performance hurdle was approved by the Board for each measure in the balanced scorecard. The policy allows for a Target and Maximum pay-out. Meeting the Maximum performance hurdle will earn 100% of the award whilst meeting the Target performance hurdle will attract at 50% award outcome. Any result above the Target, but below the Maximum, will be rewarded on a pro-rata basis. Any result below the Target will not qualify for any reward on that performance measure. The Table below shows the outcome against the FY22 scorecard measures:

TABLE 18 — EXECUTIVE KMP STVR OUTCOMES FOR FY22

Amounts awarded were as follows:

STRATEGIC ALIGNMENT	MEASURE	WEIGHTING	VESTING OUTCOME	PERFORM-ANCE %	AWARD %
Financial	**Total Transaction Volume (TTV)**	30%	 Total Transaction Volume was selected to measure global growth in the transaction value using the Company's products. TTV grew to $8.74 billion in FY22 (+51%). The Target hurdle for FY22 represented a 54% increase on FY21 actuals at $8.9 billion. The Target hurdle was not achieved for FY22 with no award outcome.	0%	0%
	Cash Net Transaction Margin (NTM)	30%	 Cash Net Transaction Margin was selected to measure unit economics in the context of rapid global growth. Cash NTM declined from 3.1% in FY21 to 2.3% in FY22. The Target hurdle for FY22 represented a 0.7% point decrease on FY21 actuals (reflecting the Company's expected higher credit losses with global expansion including the US). The Target hurdle at was not achieved for FY22 with no award outcome.	0%	0%

Remuneration Report Cont.

STRATEGIC ALIGNMENT	MEASURE	WEIGHTING	VESTING OUTCOME	PERFORM-ANCE %	AWARD %
Customer	**Customer Accounts**	15%	 Customer Accounts was selected to measure the global growth in customer acquisition. Customer Accounts grew to 11.44 million in FY22 (+56% vs FY21 actuals). The Target hurdle represented a 44% increase in customer accounts on FY21 actuals. The Target hurdle, but not Maximum hurdle, was achieved so the award outcome on this measure is 68.9% for FY22.	68.9%	10.3%
	Customer Net Promoter Score (NPS) (Australia and USA)	15%	 Customer Net Promoter Score was selected to measure customer satisfaction and willingness to recommend the Company's products. The Target hurdle was achieved but the stretch Maximum hurdle was not. The award outcome on this measure is 55% for FY22.	55%	8.3%
People	**Employee Engagement (Global)**	10%	 Employee Engagement was selected to reflect employee satisfaction and willingness to apply discretionary effort to drive performance. The award outcome on this measure is 100% for FY22, having reached the Maximum.	100%	10%
STVR Outcome for FY22					28.6%

In line with shareholders' experience, the CEO and COO have elected to forfeit their participation in the STVR Plan for FY22 which has been accepted by the Board. The only Executive KMP participant in the STVR Plan for FY22 is the CFO. Based upon the review of performance against the performance hurdles, the STVR outcome for the CFO is 28.6% of the Maximum performance hurdle. Shares to be granted to the CFO under the STVR Plan for the financial year to 30 June 2022 will total $59,550 as outlined in the Table below:

TABLE 19 — STVR OUTCOMES IN FY22

EXECUTIVE	MAXIMUM STVR $ OPPORTUNITY	MAXIMUM STVR OPPORTUNITY AS A % OF BASE SALARY	% OF MAXIMUM STVR AWARDED	VALUE STVR AWARDED $	% OF MAXIMUM STVR FORFEITED
Larry Diamond *Executive Director and CEO*	$256,016	50%	0%*	$0	100%
Peter Gray *Executive Director and COO*	$245,716	50%	0%*	$0	100%
Martin Brooke *CFO*	$208,216	50%	28.6%	$59,550	71.4%
Total				$59,550	

* The CEO and COO have chosen to forfeit their award for FY22.

5.2 FY22 LTVR OUTCOMES

The Executive KMP were granted a three-year upfront LTVR in February 2019. The Starting Point for the program was a share price of 95 cents being the 10-day VWAP before the release of the 4E for the year to 30 June 2018. The next testing point is the VWAP around the 4E in August 2022 has a performance hurdle of $1.64 per price.

During FY22, the first tranche of the LTVR issued in FY19 was eligible to be assessed. Based on the performance assessment against the absolute TSR hurdles the LTVR vested in full. The Table below sets out the number that vested for each executive in FY22 based upon the FY21 measurement period:

TABLE 20 — LTVR VESTED IN FY22 BASED UPON FY21 MEASUREMENT PERIOD

EXECUTIVE	RIGHTS ELIGIBLE TO VEST	MAXIMUM PERFORMANCE TARGET	ACTUAL PERFORMANCE OUTCOME	% OF MAXIMUM LTVR VESTED	RIGHTS VESTED	RIGHTS FORFEITED
Larry Diamond *Executive Director and CEO*	203,333	$1.64	$7.13	100%	203,333	0
Peter Gray *Executive Director and COO*	203,333	$1.64	$7.13	100%	203,333	0
Martin Brooke *CFO*	160,000	$1.64	$7.13	100%	160,000	0

For the LTVR that is eligible to be assessed in September 2022, Zip's Total Shareholder Return performance is below the Target of 15% per annum growth. Therefore, all of the LTVR performance rights due to vest in September 2022 will not vest and be subject to re-testing in September 2023.

Remuneration Report Cont.

5.3 ACHIEVED TOTAL REMUNERATION FOR FY22

Variable rewards for Executive KMP declined in FY22 as a result of not achieving key performance hurdles. The following Table outlines the 'Achieved' Total Remuneration (what became payable, awarded or vested for the FY22 measurement period for fixed and variable remuneration). The figures in this table differ from the statutory remuneration table, which has been prepared in accordance with the accounting standards and therefore includes accounting values for unvested equity under the LTE and LTVR Plans. This table is designed to show what Executives actually received for performance in FY22.

TABLE 21 – FY22 ACHIEVED TOTAL REMUNERATION

		FIXED REMUNERATION		VALUE OF FIXED LONG-TERM EQUITY VESTED DURING FY22[1]		STVR AWARDED FOLLOWING COMPLETION OF FY22[2]		VALUE OF LTVR VESTED FOLLOWING COMPLETION OF THE MEASUREMENT PERIOD[3]		TOTAL REMUNERATION PACKAGE (TRP)
KMP	Roles	Amount	% of TRP	Amount	% of TRP	Amount	% of TRP	Amount	% of TRP	
Larry Diamond	Managing Director and CEO	$535,600	87%	$83,410	13%	$0	0%	$0	0%	$619,010
Peter Gray	Executive Director and COO	$515,000	87%	$80,062	13%	$0	0%	$0	0%	$595,062
Martin Brooke	Chief Financial Officer	$440,000	78%	$63,980	11%	$59,550	11%	$0	0%	$563,530

1. This is the grant value of the LTE that vested during the reporting period.
2. This is the value of the total STVR award calculated following the end of FY22. Larry Diamond and Peter Gray elected to forfeit their STVR in FY22.
3. This is the grant value of the LTVR that vested after the end of the reporting period.

5.4 RISK MANAGEMENT AND CLAWBACK PROVISIONS

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

- Basing the STVR on five financial, consumer and people performance measures, including Target performance hurdles before any STVR on a measure is able to be paid (subject also to malus/clawback provisions).
- Deferring a component (50%) of STVR to ensure alignment with shareholder value and compliance with Zip's codes of conduct and corporate governance.
- Distributing remuneration components across both long and short-term performance-based components to encourage prudent risk-taking in line with the overall objectives of the Company.

While formal shareholding requirements are not imposed for Executive KMP, the CEO and COO have material holdings in Zip shares.

Board discretion is applied to the vesting of all STVRs and LTVRs to ensure any proposed awards are aligned with shareholder returns. As noted, the Board also retains the ability to reduce or clawback awards in the event of serious misconduct or a material misstatement in the Company's financial statements.

5.5 USE OF BOARD DISCRETION

The Board did not exercise discretion on any outcomes of any award for any KMP in FY22.

6. STATUTORY DISCLOSURES

6.1 REMUNERATION TABLES

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

TABLE 22 – STATUTORY REMUNERATION TABLE

FY22 AND FY21 ($)	YEAR	TOTAL FIXED REMUNERATION					AT RISK REMUNERATION		TOTAL
		SALARY AND FEES	SALARY SACRIFICE	SUPER-ANNUA-TION	ANNUAL LEAVE	LONG-TERM EQUITY	SHORT-TERM INCEN-TIVE	LONG-TERM INCEN-TIVE[4]	
Non-Executive Directors:									
Diane Smith-Gander AO (part year FY21)[1]	FY22	256,383	–	23,200	–	–	–	–	279,583
	FY21	95,129	–	9,037	–	–	–	–	104,166
John Batistich	FY22	159,085	–	15,915	–	–	–	–	175,000
	FY21	159,817	–	15,183	–	–	–	–	175,000
Pippa Downes (part year FY22)[2]	FY22	167,340	–	16,734	–	–	–	–	184,074
	FY21	128,425	–	9,490	–	–	–	–	137,915
Philip Crutchfield (part year FY21)[3]	FY21	136,986	–	13,014	–	–	–	–	150,000
Executive Directors:									
Larry Diamond	FY22	493,019	19,013	23,568	–	83,410	–	179,201	798,211
	FY21	498,306	–	21,694	7,666	26,683	211,780	161,524	927,653
Peter Gray	FY22	472,419	19,013	23,568	–	80,062	–	176,509	771,571
	FY21	478,306	–	21,694	7,359	25,612	203,280	161,524	897,775
Executive Manager:									
Martin Brooke	FY22	397,419	19,013	23,568	12,813	63,980	59,550	124,637	700,980
	FY21	378,306	–	21,694	21,825	20,257	160,780	127,101	729,963
Total FY22		**1,945,665**	**57,039**	**126,553**	**12,813**	**227,452**	**59,550**	**480,347**	**2,909,419**
Total FY21		1,875,275	–	111,806	36,850	72,552	575,840	450,149	3,122,472

1. Diane Smith-Gander AO commenced as a KMP on 1 February 2021.
2. Pippa Downes commenced as a KMP on 1 October 2020 and resigned on 22 June 2022.
3. Philip Crutchfield ceased as KMP on 2 March 2021.
4. LTVR values were vested in FY22 based upon the FY21 measurement period.

Remuneration Report Cont.

6.2 KMP EQUITY INTERESTS AND CHANGES DURING FY22

a. Issue of Shares

Other than set out in this report, there were no shares issued to Directors and other KMP as part of compensation during the financial year ended 30 June 2022.

b. Performance Rights Holding

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

TABLE 23 – FIXED LONG-TERM EQUITY

LONG-TERM EQUITY	BALANCE AT THE START OF THE YEAR	GRANTED	CONVERSION TO ORDINARY SHARES	VALUE OF RIGHTS EXCERCISED[1]	DISPOSALS/ OTHER	BALANCE AT THE END OF THE YEAR
Larry Diamond	20,252	88,133	(5,063)	$8,151	–	103,322
Peter Gray	19,439	84,587	(4,860)	$7,825	–	99,166
Martin Brooke	15,375	71,678	(3,844)	$6,189	–	83,209
Total	55,066	244,398	(13,767)	$22,165	–	285,697

1. The value of the rights exercised is based on the closing share price on 8 March 2022 when the rights vested.

ISSUE DATE	VESTING DATE	EXPIRY DATE	NUMBER OF RIGHTS ISSUED	$ FAIR VALUE AT GRANT DATE
8 March 2021	8 March 2022	8 March 2027	13,767	8.92
8 March 2021	8 March 2023	8 March 2027	13,767	8.92
8 March 2021	8 March 2024	8 March 2027	13,767	8.92
8 March 2021	8 March 2025	8 March 2027	13,765	8.92
8 March 2022	8 March 2023	8 March 2028	61,099	0.93
8 March 2022	8 March 2024	8 March 2028	61,099	0.93
8 March 2022	8 March 2025	8 March 2028	61,100	0.93
8 March 2022	8 March 2026	8 March 2028	61,100	0.93
Total			299,464	

TABLE 24 – VARIABLE LONG-TERM INCENTIVE

AT RISK LONG-TERM INCENTIVE	BALANCE AT THE START OF THE YEAR	GRANTED	CONVERSION TO ORDINARY SHARES	DISPOSALS/ OTHER	BALANCE AT THE END OF THE YEAR
Larry Diamond	610,000	105,504	–	–	715,504
Peter Gray	610,000	101,260	–	–	711,260
Martin Brooke	480,000	57,204	(160,000)	–	377,204
Total	1,700,000	263,968	(160,000)	–	1,803,968

ISSUE DATE	VESTING DATE	EXPIRY DATE	NUMBER OF RIGHTS	FAIR VALUE AT GRANT DATE
15 February 2019	15 September 2022	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
30 November 2021	15 September 2024	30 November 2027	263,968	2.99
Total			1,963,968	

c. Options Holding

No options were granted during FY22 and none of the KMP currently hold options for shares in Zip.

d. Shareholding

TABLE 25 – KMP SHAREHOLDING

ORDINARY SHARES	BALANCE AT THE START OF THE YEAR	CONVERSION: AT APPOINTMENT DATE	CONVERSION: FROM PERFORMANCE SHARES	CONVERSION: CONVERSION FROM OPTIONS	NET ADDITIONS/ (DISPOSALS)	BALANCE AT THE END OF THE YEAR
Diane Smith-Gander AO	2,500	–	–	–	38,396	40,896
Larry Diamond	54,528,597	–	5,063	–	631,862	55,165,522
Peter Gray	17,572,858	–	4,860	–	338,892	17,916,610
John Batistich	363,561	–	–	–	17,647	381,208
Pippa Downes	2,500	–	–	–	17,944	20,444[1]
Martin Brooke	131,108	–	160,000	–	25,930	317,038

1. Shareholding balance of Pippa Downes at 22 June 2022 when she ceased as a KMP.

Remuneration Report Cont.

6.4 SERVICE AGREEMENTS

Remuneration and other terms of employment for Executive KMP are formalised in service agreements which were updated in FY22. Details of these agreements are outlined in the Table below:

TABLE 26 — EXECUTIVE SERVICE AGREEMENTS

DURATION	ONGOING TERM (NO FIXED TERM)
Periods of notice required to terminate Executive KMP	Either party may terminate the contract: – For the Executive Directors (Larry Diamond and Peter Gray), the Company may terminate the agreement on 6 months' notice or by providing cash payments equal to 6 months' pay; and – For the CFO (Martin Brooke), the Company may terminate the agreement on a 3 months' notice or by providing a cash payment equal to 3 month's pay.
Termination payments	Executive KMP are not entitled to any termination payments with a payment in lieu of the notice period at the discretion of the Board where termination occurs other than for cause.

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

6.5 OTHER STATUTORY DISCLOSURES

a. Securities Trading Policy

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

b. Other Transactions to KMP and their Related Parties

There were no loans to/from and no other transactions in the financial year ended 30 June 2022 and to the date of this report between the Company and:

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

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

c. Use of Remuneration Consultants

The Committee may seek and consider advice from external and independent advisers from time to time to assist the Committee discharge its duties, including periodically testing the market competitiveness of the Remuneration policy and framework benchmarking against comparable companies. Given the global expansion of the Company and increasing focus on the US, this benchmarking is now global as we compete for high-performing talent.

During FY22, the Godfrey Remuneration Group (GRG) were engaged by the Committee to provide the following services:

- Benchmarking and advice regarding KMP remuneration quantum and structure;
- Review of the 2021 Remuneration Report;
- Drafting remuneration strategy documentation;
- Information on NED remuneration benchmarks;
- Research and analysis into US-based executive roles; and
- Development of a NED Equity Plan for FY23.

The total fees paid to GRG during FY22 was $56,375 (including GST). Following the end of FY22 GRG was further engaged to review the 2022 Remuneration Report and also to assist with the creation of a NED Equity Plan. Further details of this engagement will be provided in the FY23 Remuneration Report.

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

The Board confirms that remuneration recommendations made during FY22 were made free from undue influence because these procedures were adhered to.

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

This concludes the remuneration report, which has been audited.

Directors' Report Cont.

INDEMNITY AND INSURANCE OF OFFICERS

The Company has indemnified the Directors and Executives of the Company for costs incurred, in their capacity as a Director or Executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and Executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

INDEMNITY AND INSURANCE OF AUDITOR

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Group has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditors are outlined in Note 24 to the financial statements. Total amount paid for non-audit services for the year amounted to $217,000 (2021: $153,000).

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 & Global Chief Executive Officer

28 September 2022

Auditor's Independence Declaration

Deloitte.

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Australia

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28 September 2022

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

Dear Board Members

Auditor's Independence Declaration to Zip Co Limited

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

As lead audit partner for the audit of the financial statements of Zip Co Limited for the financial year ended 30 June 2022, 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 faithfully

Deloitte. Touche. Tohmatsu.

DELOITTE TOUCHE TOHMATSU

Mark Lumsden
Partner
Chartered Accountants

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022

		CONSOLIDATED	
	NOTE	30 JUNE 2022 $'000	30 JUNE 2021 RESTATED* $'000
Portfolio interest income		522,129	337,305
Transactional income		97,874	56,614
Revenue		620,003	393,919
Other Income		1,400	451
Bad debts and expected credit losses	11	(276,106)	(131,522)
Bank fees and data costs		(114,262)	(71,511)
Interest expense		(78,594)	(63,780)
Salaries and employee benefits expenses		(184,407)	(97,692)
Marketing expenses		(120,089)	(73,754)
Information technology expenses		(47,082)	(24,027)
Depreciation and amortisation expenses	3	(68,645)	(91,768)
Share-based payments		(30,937)	(142,843)
Corporate financing costs	3	(30,963)	(10,796)
Other operating expenses	3	(75,224)	(45,464)
Impairment of goodwill and intangibles	3,14	(821,111)	–
Fair value gain (loss) on financial instruments	3,5,6	128,960	(77,613)
Share of loss of associates	4	(8,348)	(753)
Net adjustment relating to the acquisition of QuadPay		–	(306,235)
Loss Before Income Tax		(1,105,405)	(743,388)
Income tax benefit	7	312	65,240
Loss After Income Tax for the year attributable to Members of Zip Co Limited		(1,105,093)	(678,148)
Other Comprehensive Loss for the year			
Items that may be reclassified subsequently to profit or loss			
Foreign exchange differences on translation		89,625	(19,291)
Total Other Comprehensive Loss for the year, net of tax		89,625	(19,291)
Total Comprehensive Loss for the year Attributable to the Members of Zip Co Limited		(1,015,468)	(697,439)
Earnings per share			
Basic loss per share	8	(181.26)	(131.93)
Diluted loss per share	8	(181.26)	(131.93)

* The comparative information is restated and re-presented to reflect changes in classification. Please refer to Note 28.

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

Statement of Financial Position

At 30 June 2022

	NOTE	CONSOLIDATED 30 JUNE 2022 $'000	CONSOLIDATED 30 JUNE 2021 RESTATED* $'000
Assets			
Cash and cash equivalents	9	241,326	289,212
Restricted cash	9	58,369	40,989
Other receivables	10	72,835	30,195
Term deposit		3,864	1,507
Customer receivables	11	2,508,124	1,955,947
Investments at FVTPL	12	–	19,034
Investments in associates	4	70,741	7,006
Property, plant and equipment		5,246	3,294
Right-of-use assets		3,813	5,849
Intangible assets	13	192,350	203,819
Goodwill	14	222,744	772,961
Total assets		3,379,412	3,329,813
Liabilities			
Trade and other payables	15	140,547	57,857
Employee provisions		9,068	6,034
Deferred consideration	16	26,184	6,990
Lease liabilities		4,039	6,296
Borrowings	17	2,380,909	1,659,233
Financial liabilities – convertible notes and warrants	5	380,916	469,965
Total liabilities		2,941,663	2,206,375
Net Assets		437,749	1,123,438
Equity			
Issued capital	18	2,041,496	1,688,785
Reserves		152,385	86,707
Convertible notes – equity	5	114,466	114,466
Non-controlling interest		1,015	–
Accumulated losses		(1,871,613)	(766,520)
Total equity		437,749	1,123,438

* The comparative information is restated and re-presented to reflect changes in classification. Please refer to Note 28.

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

Statement of Changes in Equity

For the year ended 30 June 2022

CONSOLIDATED	ISSUED CAPITAL $'000	TREASURY SHARES $'000	SHARE-BASED PAYMENTS RESERVE $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	CONVERTIBLE NOTES $'000	ACCUMULATED LOSSES $'000	TOTAL EQUITY $'000
Balance at 1 July 2020	274,151	–	19,700	(79)	–	(88,372)	205,400
Loss after income tax benefit for the year (Restated*)	–	–	–	–	–	(678,148)	(678,148)
Other comprehensive loss for the year, net of tax	–	–	–	(19,291)	–	–	(19,291)
Total comprehensive loss for the year (Restated*)	–	–	–	(19,291)	–	(678,148)	(697,439)
Recognition of share-based payments	–	–	142,843	–	–	–	142,843
Transfer of share-based payments	–	–	(123,267)	–	–	–	(123,267)
Issue of treasury shares to Zip Employee Share Trust	18,491	(18,491)	–	–	–	–	–
Issue of shares from Zip employee Share Trust	–	8,053	(8,053)	–	–	–	–
Recognition of replacement options issued for QuadPay acquisition	–	–	85,292	–	–	–	85,292
Issue of ordinary shares under share-based payment plans	123,267	–	–	–	–	–	123,267
Exercise of options	1,342	–	–	–	–	–	1,342
Issue of shares – business acquisitions	1,090,741	–	–	–	–	–	1,090,741
Issue of shares – capital raising	176,710	–	–	–	–	–	176,710
Issue of shares – PartPay contingent consideration	6,989	–	–	–	–	–	6,989
Issue of convertible notes	–	–	–	–	114,466	–	114,466
Cost of issuing of shares	(2,906)	–	–	–	–	–	(2,906)
Balance at 30 June 2021 (Restated*)	1,688,785	(10,438)	116,515	(19,370)	114,466	(766,520)	1,123,438

* The comparative information is restated and re-presented to reflect changes in classification. Please refer to Note 28.

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

CONSOLIDATED	ISSUED CAPITAL $'000	TREASURY SHARES $'000	SHARE-BASED PAYMENTS RESERVE $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	CONVERTIBLE NOTES $'000	ACCUMULATED LOSSES $'000	NON – CONTROLLING INTERESTS $'000	TOTAL EQUITY $'000
Balance at 30 June 2021 (Restated*)	1,688,785	(10,438)	116,515	(19,370)	114,466	(766,520)	–	1,123,438
Loss after income tax benefit for the year	–	–	–	–	–	(1,105,093)	–	(1,105,093)
Other comprehensive income for the year, net of tax	–	–	–	89,625	–	–	–	89,625
Total comprehensive income/(loss) for the year	–	–	–	89,625	–	(1,105,093)	–	(1,015,468)
Recognition of share-based payments	–	–	30,937	–	–	–	–	30,937
Transfer of share-based payments	–	–	(41,544)	–	–	–	–	(41,544)
Issue of treasury shares to Zip Employee Trust	15,760	(15,760)	–	–	–	–	–	–
Issue of shares from Zip Employee Share Trust	–	22,853	(22,853)	–	–	–	–	–
Issue of ordinary shares under share-based payment plans	19,661	–	–	–	–	–	–	19,661
Exercise of options	310	–	–	–	–	–	–	310
Issue of shares – business acquisitions	137,209	–	2,156	–	–	–	–	139,365
Issue of shares – capital raising	172,729	–	–	–	–	–	–	172,729
Issue of shares – PartPay contingent consideration (refer to Note 16)	6,990	–	–	–	–	–	–	6,990
Issue of shares – IT development and software purchase	3,440	–	264	–	–	–	–	3,704
Cost of issuing of shares	(3,388)	–	–	–	–	–	–	(3,388)
Acquisition of non-controlling interests	–	–	–	–	–	–	1,015	1,015
Balance at 30 June 2022	2,041,496	(3,345)	85,475	70,255	114,466	(1,871,613)	1,015	437,749

* The comparative information is restated and re-presented to reflect changes in classification. Please refer to Note 28.

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

Statement of Cash Flows

For the year ended 30 June 2022

	NOTE	CONSOLIDATED 30 JUNE 2022 $'000	30 JUNE 2021 RESTATED* $'000
CASH FLOWS TO OPERATING ACTIVITIES			
Revenue from customers		620,176	403,009
Payments to suppliers and employees		(517,887)	(292,594)
Net increase in receivables		(766,957)	(930,054)
Borrowing transaction costs		(2,390)	(2,084)
Interest received from financial institutions		1,227	187
Interest paid		(72,404)	(57,677)
Acquisition of business costs		(14,183)	(8,702)
Net Cash Flow to Operating Activities		(752,418)	(887,915)
CASH FLOWS TO INVESTING ACTIVITIES			
Payments for plant and equipment		(4,546)	(1,383)
Payments for software development		(24,968)	(12,009)
Payments for investments in associates	4	(72,048)	(6,575)
Acquisition of subsidiaries, net of cash acquired	6	6,847	26,209
Payments for investments at FVTPL	12	–	(14,488)
Increase in term deposits		(2,358)	–
Net Cash Flow to Investing Activities		(97,073)	(8,246)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		1,195,390	1,051,866
Repayment of borrowings		(540,951)	(521,199)
Proceeds from issue of convertible notes		–	490,978
Repayment of principal of lease liabilities		(3,949)	(3,737)
Proceeds from issue of shares		173,039	178,052
Cost of share issues		(3,388)	(2,906)
Net Cash Flow from Financing Activities		820,141	1,193,054
Net (decrease)/increase in cash, cash equivalents and restricted cash		(29,350)	296,893
Cash, cash equivalents and restricted cash at the beginning of the year		330,201	32,712
Foreign exchange effect		(1,156)	596
Cash, Cash Equivalents and Restricted Cash at the End of the year	9	299,695	330,201

* The comparative information is restated and re-presented to reflect changes in classification. Please refer to Note 28.

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 ANNUAL REPORT

A. BUSINESS

Zip is a global provider of digital retail finance and payments services. In Australia, Zip is a responsible credit provider, both as a core value and through its legal obligations under its ASIC regulated Australian Credit License. Zip is also accredited to the Buy Now Pay Later (BNPL) Code of Practice issued by the Australian Finance Industry Association. Zip's current operations span 13 countries around the world providing services in Australia, Canada, Czech Republic, Mexico, New Zealand, Singapore, Poland, Saudi Arabia, South Africa, Turkey, United Arab Emirates, the United Kingdom and the United States. Zip's ordinary shares have been listed on the ASX (ASX code: ZIP) since 2015. Zip Co Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

B. STATEMENT OF COMPLIANCE

The full-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations, and complies with other requirements of the law.

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

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

The financial statements were approved by the Board of Directors and authorised for issue on 28 September 2022. The Directors have the power to amend and reissue the financial statements.

C. BASIS OF PREPARATION

The Report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars and all values are rounded to the nearest thousand ($'000), unless otherwise noted. When necessary, comparative figures have been adjusted to comply with the changes in presentation in the current period.

Comparative Figures

Certain comparative figures have been restated and/or reclassified for misstatement corrections or to conform to changes in presentation for the current financial year. Refer to Note 28 for details. Where relevant, restated figures are presented in the respective notes in this report.

D. GOING CONCERN

The Directors have prepared the Report on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2022 reflects the consolidated entity's total comprehensive loss after tax of $1,015.5 million. The consolidated statement of cash flows for the year ended 30 June 2022 reflects net cash outflows from operations of $752.4 million.

The Directors have reviewed cash flow forecasts for the consolidated entity through to 30 September 2023. The cash flow forecasts indicate 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 a 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 finance facilities.

Notes to the Financial Statements Cont.

The financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

E. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current financial year and that have a significant impact on the consolidated entity's financial statements. There were no new or revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that have materially impacted the consolidated entity's financial statements for the year ended 30 June 2022. The consolidated entity has not adopted any accounting standards that are issued but not yet effective. The consolidated entity has considered the applicability and impact of all recently issued accounting pronouncements and has determined that they were either not applicable or were not expected to have a material impact on the financial statements.

F. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Provision for Expected Credit Loss

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

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

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

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

The ECL recognised in the consolidated financial statements reflects the effect on expected credit losses of a range of possible outcomes, calculated on a probability-weighted basis, based on a number of economic scenarios (including base, good and bad scenarios). These scenarios are representative of management's view of forecast economic conditions, sufficient to calculate an unbiased ECL. The weightings used are reviewed each reporting period to ensure these remain appropriate and as such are considered to represent significant accounting estimates. Judgement has been applied in the assessment of the macroeconomic overlay in the financial year ended 30 June 2022, taking into account the impact of COVID-19. Refer to Note 11 for further details.

Impairment of Non-Financial Assets

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

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

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

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

Intangible assets such as customer relationships and trademarks used by the consolidated entity for its own activities are unlikely to generate largely independent cash inflows and are therefore tested at a CGU level. Please refer to Note 14 for detailed assumptions and assessment of impairment for goodwill and intangible assets.

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

Fair Value Measurements and Valuation Processes

The consolidated entity measures certain assets and liabilities at fair value for financial reporting purposes. In estimating the fair value of these assets and liabilities, the consolidated entity uses market-observable data to the extent it is available. Where market-observable data is not available, the consolidated entity engages qualified third-party valuers to assist with the valuation and work closely with management to establish the appropriate valuation techniques and inputs to the valuation model. Key inputs to the valuation model for valuation of derivatives embedded in convertible notes and warrants recognised as financial liability include Zip's share price, volatility and the risk free rate. Refer to Note 5 for details.

Acquisition Accounting

Acquisitions of businesses are accounted for using the acquisition method. The consolidated entity identifies the acquisition date, which is the date on which it obtains control of the acquiree. Judgement is required when determining the date on which the consolidated entity obtains control of the acquiree, considering the events and conditions precedent to completing the acquisition, which may include but is not limited to, the signing of the sale and purchase agreement between the consolidated entity and the acquiree, obtaining Board, shareholder and regulatory approvals and the issuing and legal transfer of consideration, including in the form of shares in the consolidated entity.

The consolidated entity may obtain control of an acquiree in which it held an equity interest immediately before the acquisition date. AASB 3 *Business Combinations* refers to such a transaction as a business combination achieved in stages. Judgement is required in remeasuring the consolidated entity's previously held equity interest in the acquiree from its previous classification and measurement under AASB 9 *Financial Instruments* or AASB 128 *Investments in Associates* to its acquisition-date fair value.

The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition date fair values of assets transferred to the former owners, liabilities incurred by the consolidated entity to the former owners of the acquiree, and the equity instruments issued by the consolidated entity in exchange for control of the acquiree. Potential forms of consideration include cash, other assets, a business or a subsidiary of the acquirer, contingent consideration,

Notes to the Financial Statements Cont.

ordinary or preference equity instruments, options, warrants and member interests of mutual entities. Whether arrangements for contingent payments to employees or selling shareholders are contingent consideration in the business combination or are separate transactions depends on the nature of the arrangements. Understanding the reasons why the acquisition agreement includes a provision for contingent payments, who initiated the arrangement and when the parties entered into the arrangement requires judgement in assessing the nature of the arrangement and whether the contingent payment forms part of the consideration transferred in a business combination or a separate transaction.

Indicators include, but are not limited to, payments that are contingent on continued employment by the selling shareholders who become key employees in the consolidated entity, the duration of their continued employment compared to the contingent payment period and whether the level of their employee remuneration other than the contingent payments is at a reasonable level in comparison with that of other key employees in the consolidated entity.

G. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Zip Co Limited ('parent entity') as at 30 June 2022 and the results of all subsidiaries for the twelve months then ended (for acquired subsidiaries since their acquisition dates).

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 the entities that are controlled by the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

H. 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). CODM include the Non-Executive Directors, Chief Executive Officer, Chief Operations Officer and Chief Financial Officer. The CODM are responsible for the allocation of resources to operating segments and assessing their performance.

I. REVENUE RECOGNITION

Portfolio Interest Income

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

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

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

Transactional Income

Transactional income includes Establishment fees (Refer to Note 28 for reclassification of Establishment fee), Transaction processing fees, Affiliate fees and Interchange which are recognised in accordance with AASB 15 and not considered portfolio interest income.

J. BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition date fair values of assets transferred to the former owners, liabilities incurred by the consolidated entity to the former owners of the acquiree, and the equity instruments issued by the consolidated entity in exchange for control of the acquiree.

Goodwill arises in a business combination when the consideration transferred to the acquiree is greater than the net of the acquisition-date fair value of identifiable assets and the liabilities assumed. Acquisition costs are recognised in profit or loss as incurred.

Where the consideration transferred by the consolidated entity in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. If there are changes in the fair value of the contingent consideration that qualify as measurement period adjustments, they are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the consolidated entity reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Share-Based Payment Transactions of the Acquiree in a Business Combination

When the share-based payment awards held by the employees of an acquiree (acquiree awards) are replaced by the Company's share-based payment awards (replacement awards), both the acquiree awards and the replacement awards are measured in accordance with AASB 2 ("market-based measure") at the acquisition date. The portion of the replacement awards that is included in measuring the consideration transferred in a business combination equals the market-based measure of the acquiree awards multiplied by the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the acquiree award. The excess of the market-based measure of the replacement awards over the market-based measure of the acquiree awards included in measuring the consideration transferred is recognised as remuneration cost for post-combination service.

K. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

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

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

Notes to the Financial Statements Cont.

L. INTANGIBLE ASSETS

Software Development Asset

Software development costs are capitalised only when:

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

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

Intangibles Acquired in a Business Combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date.

Acquired intangibles are independently valued by an external valuer and their fair values are recorded at initial recognition. Refer to Note 6 for the valuation of intangibles acquired during the financial year.

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.

The useful life of intangible assets is assessed on either the duration for which the assets contribute to the consolidated entity's value or the timing of the projected cash flow of the relationships.

Intangibles Acquired Separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives which are disclosed in Note 13. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Derecognition of Intangibles

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

M. GOODWILL

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

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

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

An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

N. TRADE AND OTHER PAYABLES

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

O. EMPLOYEE BENEFITS

A 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.

P. SHARE-BASED PAYMENTS

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 27.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of the number of equity instruments that will eventually vest. At each reporting date, the consolidated entity revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves. Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. 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. For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

Notes to the Financial Statements Cont.

Q. FINANCIAL INSTRUMENTS

Initial Recognition and Subsequent Measurement of Financial Instruments

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

Financial Assets

Financial assets are initially measured at fair value. Financial assets are subsequently measured at amortised cost and include cash, cash equivalents, restricted cash, term deposits, other receivables (excluding prepayments) and customer receivables. Customer receivables are non-derivative financial assets which are measured at amortised cost using the effective interest method, less any impairment. Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Investments in equity instruments are classified as investments at FVTPL, unless the consolidated entity designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition. The consolidated entity did not have any financial assets measured at FVTOCI at 30 June 2022 and 30 June 2021.

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

Financial Liabilities

Financial liabilities are initially measured at fair value.

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

Financial liabilities at FVTPL, including those warrants issued which meet the definitions of a financial liability in accordance with the substance of the contractual arrangements, are initially measured at fair value and subsequently measured at fair value at each reporting date. Any gains or losses arise on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

Classification of Debt and Equity Components

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

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

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

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

Transaction Costs

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

Derecognition of Financial Assets and Liabilities

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in an equity instrument which the consolidated entity has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

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

R. ISSUED CAPITAL

Ordinary shares are classified as equity and are carried at cost.

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

Notes to the Financial Statements Cont.

S. INCOME TAX

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

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

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

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The consolidated entity has recognised deferred tax assets arising from temporary differences and tax losses to the extent required to equal deferred tax liabilities for the financial year ended 30 June 2022 and 30 June 2021.

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.

T. 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.

U. RECOVERABLE AMOUNT OF ASSETS

The carrying amounts of assets other than financial instruments and goodwill are reviewed by the Directors where there is an impairment indicator to ensure they are not in excess of the recoverable amounts (the higher of value-in-use and fair value less costs of disposal). The expected net cash flows are discounted to present values in determining recoverable amounts.

V. FOREIGN CURRENCIES

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

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

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

Notes to the Financial Statements Cont.

NOTE 2. SEGMENT INFORMATION

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

The consolidated entity had three operating segments being Zip AU, Zip Global and Zip Business in the financial year ended 30 June 2021. In the financial year ended 30 June 2022, the consolidated entity transitioned to five operating segments: APAC, Americas, EMEA, Zip Business and Corporate. In order to enhance comparability, the segment information for the year ended 30 June 2021 has been presented under the five operating segments.

The operating segments may change in the future as the consolidated entity continues to re-assess its operating model, reporting systems, and the financial information presented to the CODM for decision-making purposes. The consolidated entity has the following operating segments and the results of each segment are reported in the table that follows:

APAC	Offers BNPL instalment products[1] or line of credit products[2] to consumers in Australia, New Zealand and Singapore, and includes the consolidated entity's Pocketbook operations.
Americas	Offers BNPL instalment products to customers in the US, Canada, and Mexico.
EMEA	Offers BNPL instalment products to customers in the UK, Europe, the Middle East and South Africa.
Zip Business	Provides unsecured loans and lines of credit to small and medium-sized businesses in Australia and New Zealand.
Corporate	Comprises group expenses benefiting all segments and are either not directly attributable or allocated to a particular segment.

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

FINANCIAL YEAR ENDED 30 JUNE 2022	APAC $'000	AMERICAS $'000	EMEA $'000	ZIP BUSINESS $'000	CORPORATE $'000	TOTAL $'000
Revenue	297,375	282,915	22,841	16,872	–	620,003
Cost of Sales[1]	(200,471)	(226,992)	(29,178)	(12,321)	–	(468,962)
Gross Profit	96,904	55,923	(6,337)	4,551	–	151,041
Other income	726	5	603	4	62	1,400
Operating expenses	(111,833)	(178,201)	(43,635)	(12,090)	(44,262)	(390,021)
Effective interest charged on convertible notes	–	–	–	–	(29,929)	(29,929)
Global re-branding project costs	–	–	–	–	(20,343)	(20,343)
Segment EBTDA (excluding reconciling items)	(14,203)	(122,273)	(49,369)	(7,535)	(94,472)	(287,852)
Depreciation of right-of-use assets	(3,140)	(607)	–	–	–	(3,747)
Depreciation of PP&E	(2,011)	(262)	(424)	(5)	–	(2,702)
Amortisation of intangibles	(12,135)	(42,275)	(6,615)	(1,171)	–	(62,196)
Segment loss before income tax	(31,489)	(165,417)	(56,408)	(8,711)	(94,472)	(356,497)
Reconciling corporate items from operating to statutory loss:						
Share-based payments						(30,937)
Acquisition of business costs						(17,472)
Share of loss of associates						(8,348)
Fair value gain on financial instruments						128,960
Impairment loss						(821,111)
Loss before income tax						(1,105,405)

1. Cost of sales comprises Interest expense, Bad debts and expected credit losses, and Bank fees and data costs which are presented in the Consolidated Statement of Profit or Loss.

Notes to the Financial Statements Cont.

FINANCIAL YEAR ENDED 30 JUNE 2021	APAC $'000	AMERICAS RESTATED* $'000	EMEA $'000	ZIP BUSINESS $'000	CORPORATE $'000	TOTAL RESTATED* $'000
Revenue	214,117	167,100	1,798	10,904	–	393,919
Cost of sales[1]	(135,827)	(121,050)	(3,624)	(6,312)	–	(266,813)
Gross Profit	78,290	46,050	(1,826)	4,592	–	127,106
Other income	359	60	28	4	–	451
Operating expenses	(102,688)	(98,476)	(11,584)	(9,271)	(9,608)	(231,627)
Effective interest charged on convertible notes	–	–	–	–	(10,168)	(10,168)
Segment EBTDA (excluding reconciling items)	(24,039)	(52,366)	(13,382)	(4,675)	(19,776)	(114,238)
Depreciation of right-of-use assets	(2,918)	(1,012)	–	–	–	(3,930)
Depreciation of PP&E	(1,763)	–	(70)	(9)	–	(1,842)
Amortisation of intangibles	(11,229)	(74,637)	(122)	(8)	–	(85,996)
Segment loss before income tax	(39,949)	(128,015)	(13,574)	(4,692)	(19,776)	(206,006)
Reconciling items from operating to statutory loss:						
Share-based payments						(142,843)
Acquisition of business costs						(9,938)
Share of loss of associate						(753)
Fair value loss on financial instruments						(77,613)
Net adjustments relating to acquisition of QuadPay						(306,235)
Loss before income tax						(743,388)

1. Cost of sales comprises Interest expense, Bad debts and expected credit losses, and Bank fees and data costs which are presented in the Consolidated Statement of Profit or Loss.

* The comparative information is restated and re-presented to reflect changes in classification. Please refer to Note 28.

NOTE 3. EXPENDITURE

	CONSOLIDATED	
	30 JUNE 2022 $'000	30 JUNE 2021 RESTATED* $'000
Loss before income tax includes the following specific expenses:		
Depreciation and amortisation expenses:		
Depreciation of property, plant and equipment	2,702	1,842
Depreciation of right-of-use assets	3,747	3,930
Amortisation of acquired intangibles	45,621	34,238
Write-off of intangibles[1]	–	42,570
Amortisation of internally generated IT development and software	16,575	9,188
Total depreciation and amortisation expenses	68,645	91,768
Corporate financing costs:		
Effective interest charged on convertible notes	29,929	10,168
Interest on leasing liabilities	161	244
Other finance costs	873	384
Total corporate financing costs	30,963	10,796
Other operating expenses:		
Occupancy expense	3,581	2,419
Acquisition of business costs	17,472	9,938
Other operating expenses (Restated*)	54,171	33,107
Total other operating expenses (Restated*)	75,224	45,464
Impairment of goodwill and intangibles:		
Impairment of goodwill (Note 14)	768,405	–
Impairment of intangibles (Note 13)	52,706	–
Impairments	821,111	–
Fair value gain/loss on financial instruments:		
Fair value (gain) loss on convertible notes and warrants (Note 5)	(118,978)	82,049
Fair value (gain) on investment at FVTPL (Note 12)	(1,481)	(4,436)
Fair value (gain) on acquisition of associate (Note 4)	(8,501)	–
Fair value (gain) loss on financial instruments	(128,960)	77,613

1. Relates to discontinuation of the QuadPay brand upon global rebranding to Zip.
* The comparative information is restated and re-presented to reflect changes in classification. Please refer to Note 28.

Notes to the Financial Statements Cont.

NOTE 4. INVESTMENTS IN ASSOCIATES

	PAYFLEX $'000	TENDO $'000	ZESTMONEY $'000	SPOTII $'000	CONSOLIDATED $'000
Balance at 30 June 2021	981	3,215	–	2,810	7,006
Additional investments	–	2,815	69,233	–	72,048
Share of loss of associates	(256)	(1,039)	(6,662)	(391)	(8,348)
Foreign exchange gain (loss)	(61)	316	2,863	83	3,201
Fair value gain on investment on acquisition	5,012	–	–	3,489	8,501
Derecognition of pre-existing investment	(5,676)	–	–	(5,991)	(11,667)
Balance at 30 June 2022	–	5,307	65,434	–	70,741

The associates of the consolidated entity as at 30 June 2022 are detailed in the following table. The associates listed below have share capital consisting solely of ordinary shares, which are held directly by the consolidated entity's controlled subsidiaries. The proportion of ownership interest is the same as the proportion of voting rights held. The consolidated entity has accounted for investments in associates using the equity method.

			% OF OWNERSHIP INTEREST	
ASSOCIATES	LOCATION OF INCORPORATION OF HOLDING COMPANY	LOCATION OF PRINCIPAL OF BUSINESS	30 JUNE 2022 %	30 JUNE 2021 %
Payflex[1]	South Africa	South Africa	100.00%	26.25%
Tendo	Singapore	Philippines	35.00%	25.00%
Zest	Singapore	India	10.20%	–
Spotii[2]	United Arab Emirates	United Arab Emirates & Kingdom of Saudi Arabia	100.00%	20.00%

1. Payflex was derecognised as an investment in an associate upon its acquisition by Zip as its fully owned subsidiary on 3 January 2022.
2. Spotii was derecognised as an investment in an associate upon its acquisition by Zip as its fully owned subsidiary on 18 October 2021.

PAYFLEX

On 3 January 2022, the consolidated entity acquired the remaining 73.75% of interest of Payflex it did not already own.

The consolidated entity derecognised the investment in associate and accounted for the acquisition as described in Note 6.

Up to the date of acquisition, the consolidated entity recognised its share of loss of Payflex amounting to $0.3 million, a gain on the revaluation of Zip's ownership interest in Payflex of $5.0 million, and a realised foreign exchange loss of $0.1 million.

TENDOPAY

At 30 June 2022, the consolidated entity held a 35% interest in TendoPay, being the 25% interest held at 30 June 2021 and a further 10% interest acquired in December 2021 for an investment of $2.8 million (US$2 million). The consolidated entity accounts for the investment in TendoPay as an associate due to the consolidated entity's ability to exercise significant influence.

For the year ended 30 June 2022, the share of loss of TendoPay was $1.0 million. An unrealised foreign exchange gain of $0.3 million on the investment resulted in the carrying amount of the consolidated entity's investment in TendoPay being recorded at $5.3 million at 30 June 2022.

On investing in TendoPay in the previous financial year, the consolidated entity negotiated a conditional right to increase its shareholding. The conditional right is not recognised in the consolidated entity's Consolidated Financial Statements in this Report based on the consideration of operational matters in respect of exercising the conditional rights.

ZESTMONEY

On 23 September 2021, the consolidated entity invested $69.2 million (US$50.0 million) to acquire an 11.1% interest in Primrose Hill Ventures Pte Ltd, the parent company of ZestMoney, a provider of BNPL services to consumers in India. The consolidated entity has accounted for the investment as an associate due to the consolidated entity's significant influence comprising board representation and voting rights arising from this investment. The investment has been initially recorded at cost, being the fair value upon acquisition of $69.2 million. The consolidated entity's shareholding in ZestMoney diluted from 11.1% to 10.2% at 30 June 2022, due to additional capital raised from other investors.

For the year ended 30 June 2022, the share of the loss of ZestMoney was $6.6 million. An unrealised foreign exchange gain of $2.9 million on the investment resulted in the carrying amount of the consolidated entity's investment in ZestMoney being recorded at $65.4 million as at 30 June 2022. Since 23 September 2021 to 30 June 2022, ZestMoney generated revenue of $36.7 million and loss after tax of $60.5 million. At 30 June 2022. The total assets and total liabilities of ZestMoney were $73.0 million and $49.7 million respectively, with net assets of $23.3 million.

The consolidated entity negotiated a conditional right to increase its shareholding in ZestMoney when making its investment in September 2021. This conditional right is not being recognised in the consolidated entity's Consolidated Financial Statements in this Report due to both the regulatory and other hurdles that need to be overcome in order to exercise the right. On 26 August 2022, Zip waived the conditional right to increase its shareholding in relation to its investment in its associate ZestMoney.

SPOTII

On 18 October 2021, the consolidated entity acquired the remaining 80% of interest of Spotii it did not already own.

The consolidated entity derecognised the investment in associate and accounted for the acquisition as described in Note 6.

Up to the date of acquisition, the consolidated entity recognised its share of loss of Spotii amounting to $0.4 million, a gain on the revaluation of Zip's ownership interest in Spotii of $3.5 million, and a realised foreign exchange gain of $0.1 million.

Notes to the Financial Statements Cont.

NOTE 5. FINANCIAL LIABILITIES – CONVERTIBLE NOTES AND WARRANTS

RECONCILIATION OF FINANCIAL IMPACT OF ISSUE OF THE CONVERTIBLE NOTES AND WARRANTS

	FINANCIAL LIABILITY – EMBEDDED DERIVATIVE $'000	FINANCIAL LIABILITY – WARRANTS $'000	FINANCIAL LIABILITY – NET DEBT HOST $'000	TOTAL FINANCIAL LIABILITIES – CONVERTIBLE NOTES AND WARRANTS $'000	CONVERTIBLE NOTES – EQUITY $'000
30 June 2020	–	–	–	–	–
Issued during the period	21,698	17,210	338,840	377,748	114,466
Effective interest on convertible notes	–	–	10,168	10,168	–
Fair value loss recognised	38,945	43,104	–	82,049	–
30 June 2021	60,643	60,314	349,008	469,965	114,466
Effective interest on convertible notes	–	–	29,929	29,929	–
Fair value gain recognised	(58,792)	(60,186)	–	(118,978)	–
30 June 2022	1,851	128	378,937	380,916	114,466

CONVERTIBLE NOTES AND WARRANTS ISSUED ON 1 SEPTEMBER 2020

	ISSUE DATE	EXPIRY DATE	CONVERSION PRICE	NUMBER ISSUED
Convertible Notes	1 September 2020	1 September 2025	See in this note	1,000
Warrants	1 September 2020	1 September 2023	See in this note	19,365,208

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

The convertible notes issued to CVI have a face value of $100,000 each. The convertible notes have a maturity of 5 years from issue and bear interest payable semi-annually at a fixed amount of $0.75 million. The conversion price of the convertible notes varies based on movements in Zip's share price subject to a floor and a ceiling price. The initial conversion price was $5.5328, representing a 50% premium to the 1-day volume weighted average price of Zip's shares on the Australian Stock Exchange (ASX) on 29 May 2020 (the last trading day prior to the announcement of the convertible note raising). The conversion price resets semi-annually to a price equal to 93% of the then prevailing current market price of Zip's shares on the ASX, subject to a minimum price of $1.8443 and a maximum price equal to the initial conversion price of $5.5328.

As a result of the share issue by Zip on 4 March 2022 of 78,285,139 new shares at an issue price of $1.90 per share under Zip's fully underwritten placement to institutional, professional and sophisticated investors, the conversion price of the convertible notes has been adjusted to $2.0215, effective as of 4 March 2022, pursuant to their terms.

At each Instalment date (commencing on the date falling 6 months after 1 September 2020 and every 6 months thereafter up to and including the maturity date on 1 September 2025), the noteholder has the option to elect, in respect of $10.0 million of the convertible notes, together with any previously deferred amounts and any accrued and unpaid interest, to either:

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

During the year ended 30 June 2022, no convertible notes have been converted (year ended 30 June 2021: None).

The warrants issued to CVI were issued for nil cash consideration, have a 3-year exercise period and have a variable exercise price being the lower of $5.1639 and the price of any equity securities issued by Zip (excluding issues for prescribed business as usual and agreed strategic transactions).

As a result of the share issue by Zip on 8 April 2022 of 16,206,961 new shares at an issue price of $1.48 per share under a share purchase plan to eligible Zip shareholders, the exercise price of the warrants issued to CVI has been adjusted to $1.48, effective as of 8 April 2022, pursuant to their terms.

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

The embedded derivative and the warrants have been revalued at 30 June 2022 in accordance with Accounting Standard AASB 9 *Financial Instruments*. Following the revaluation at 30 June 2022, the embedded derivative and warrants issued have been valued at fair values of $1.85 million and $0.1 million respectively using the Black Scholes option valuation model. The fair values have been based on a closing Zip's share price at 30 June 2022 of $0.44, volatility of 60%, and a risk free rate of 3.0% for the embedded derivative, and 2.4% for the warrants. The different risk free rates reflect the different expiry dates of the instruments.

A fair value gain of $119.0 million has been recorded, being the movement in the fair values of the embedded derivative and warrants between 1 July 2021 and 30 June 2022 (fair value loss recognised in the year ended 30 June 2021: $82.0 million).

Zip has reported a financial liability in relation to the underlying debt component of the convertible notes of $73.6 million, being the carrying amount of $65.3 million at 30 June 2021 plus an effective interest of $8.3 million recorded for the year ended 30 June 2022.

Notes to the Financial Statements Cont.

CONVERTIBLE NOTES ISSUED ON 23 APRIL 2021

Zip issued $400.0 million zero coupon senior convertible notes (Referred as Senior Convertible Notes) on 23 April 2021, which are listed on the Singapore Securities Trading Exchange (SGX-ST). The Senior Convertible Notes have a 7-year maturity with an option for investors to put the Senior Convertible Notes back to Zip after 4 years at 109.36% of the principal amount. The yield is 2.25% per annum calculated on a semi-annual basis. At maturity, note holders have the option of converting the Senior Convertible Notes into Zip's ordinary shares at a share price of $12.39 (adjusted in accordance with standard anti-dilutive provisions) or redeeming the notes at 116.96% of the principal amount.

As a result of the share issue by Zip on 4 March 2022 of 78,285,139 new ordinary shares at an issue price of $1.90 per share under Zip's fully underwritten placement to eligible institutional, professional and sophisticated investors, the conversion prices of the Senior Convertible Notes has been adjusted to $12.0576, effective as of 4 March 2022, pursuant to their terms.

During the year ended 30 June 2022, no Senior Convertible Notes had been converted as 30 June 2022 (year ended 30 June 2021: None).

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

At 30 June 2022, Zip has reported a financial liability in relation to the underlying debt component of the Senior Convertible Notes of $305.3 million, comprising the carrying value of debt component of $283.7 million at 30 June 2021, and accrued effective interest of $21.6 million recorded in the year ended 30 June 2022. The equity component of the Senior Convertible Notes remained at $114.5 million at 30 June 2022, which is in accordance with AASB 9 in that Zip is not required to revalue the conversion feature recorded as equity at each reporting date.

NOTE 6. ACQUISITIONS

A. SUMMARY OF ACQUISITION

Spotii

On 18 October 2021, the consolidated entity increased its ownership interest in Spotii Holdings Ltd ("Spotii"), a leading technology-enabled payments platform operating in the Middle East to 100%, acquiring the 80% of Spotii it did not already own. Upon acquisition, the consolidated entity acquired a 100% interest in the following entities:

- Spotii Holdings Ltd;
- Spotii DMCC Ltd;
- Spotii Arabia for Information Technology (KSA); and
- Spotii Pakistan (SMC Private) Limited.

Total consideration of $21.6 million for the acquisition of Spotii comprised of:

- 2,850,412 new Zip shares issued, valued at $19.4 million, based on the agreed post valuation enterprise value of $27.6 million (US$20.0 million); and
- 285,039 Zip shares issued from the Employee Share Trust, valued at $2.2 million, were paid to Spotii's employee share options plan.

The fair value of the tangible assets and liabilities of Spotii included in the net assets acquired were considered to be equal to their pre-acquisition book value, as described in this note. Intangible assets were not recognised in Spotii prior to acquisition. In accordance with AASB 3, the fair values of intangible assets were recognised, as detailed in the table in this note.

Twisto

On 12 November 2021, the consolidated entity increased its ownership interest in Twisto Payments A.S. (Twisto), a leading high-growth BNPL player in the Czech Republic and Poland to 100%, acquiring the 87.63% of Twisto it did not already own. Upon acquisition, the consolidated entity acquired a 100% interest in the following entities:

- Twisto Payments A.S;
- Nikita Engine S.R.O;
- Twisto FinCo S.R.O;
- Twisto Polska Sp Z.O.O; and
- Twisto Finco PL Sp. Z.O.O.

Total consideration of $135.3 million for the acquisition of Twisto comprised:

- Cash consideration paid of $0.6 million;
- 17,454,987 new Zip shares issued, valued at $115.4 million, based on the agreed post valuation adjusted enterprise value of $155.4 million (EUR€99.3 million); and
- Holdback consideration of $19.3 million (EUR€12.5 million) for the purposes of satisfying any claims that may arise under the acquisition agreement which will be paid to the vendors by no later than the four-year anniversary of completion of the acquisition. The consideration is payable in new Zip shares, up to a maximum of 4,550,000 shares, with the balance payable in cash, or subject to the ASX listing rules, in shares. The shares will be issued at an issue price equal to Zip's 30-day VWAP immediately prior to the date of issue, subject to a 'minimum floor share price' of $5.00 per share and an 'exchange rate cap' of $1.82 per EU. As at 30 June 2022, there have been no claims made.

The fair value of the tangible assets and liabilities of Twisto included in the net assets acquired were considered to be equal to their pre-acquisition book value, as described in this note. In accordance with AASB 3, the fair values of intangible assets were recognised upon acquisition, as detailed in the table in this note.

Payflex

On 3 January 2022, the consolidated entity increased its ownership interest in Payflex Proprietary Limited ("Payflex"), a provider of BNPL services in South Africa to 100%, acquiring 73.75% of Payflex it did not already own. Upon acquisition, the consolidated entity acquired 100% interest in the following entity:

- Payflex Proprietary Limited.

Notes to the Financial Statements Cont.

Total consideration of $15.9 million (ZAR$184.4 million) for the acquisition of Payflex comprised of:

- Cash consideration of $6.5 million;
- 1,477,686 new Zip Co Limited shares issued, valued at $2.4 million, based on the agreed post valuation enterprise value of $21.6 million (ZAR$250 million);
- Contingent consideration of $6.4 million (ZAR$73.8 million), payable subject to the satisfaction of prescribed performance milestones, which are based on growth targets relating to the achievement of total transaction volumes and net transaction margins for the twelve months performance period ending 30 June 2022. The contingent consideration is, payable by the issue of up to 1,053,608 Zip shares calculated on a 15-day weighted average price of Zip's shares on the ASX prior to the date of issue, with the balance payable in cash. As at 30 June 2022, Payflex has achieved the performance milestones and accordingly, the full amount will be payable by 30 September 2022; and
- Black Economic Entity ("BEE") holdback amount of $0.6 million (ZAR$7.2 million), payable within twelve months from the date of acquisition.

The fair value of the tangible assets and liabilities of Payflex included in the net assets acquired were considered to be equal to their pre-acquisition book value, as described in this note. Intangible assets were not recognised in Payflex prior to acquisition. In accordance with AASB 3, the fair values of intangible assets were recognised, as detailed in the table in this note.

The initial accounting for the acquisition of Spotii, Twisto and Payflex was provisionally determined at their acquisition dates and finally determined during the financial year ended 30 June 2022 which is within the required measurement period outlined in AASB 3 *Business Combinations*. No adjustments have been made to the initial accounting.

Management determined the acquisition dates as the dates on which the Company obtained control over the acquired entities.

The amounts of revenue and profit or loss of Spotii, Twisto and Payflex since the acquisition dates are included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the reporting period.

From the acquisition dates to 30 June 2022, the contribution of revenue to the consolidated entity's revenue from Spotii, Twisto and Payflex was $2.6 million, $12.9 million and $2.7 million, respectively. From the acquisition dates to 30 June 2022, the contribution of loss to the consolidated entity's loss before income tax from Spotii, Twisto and Payflex was $6.9 million, $18.8 million and $1.3 million, respectively.

If the acquisition of Spotii, Twisto and Payflex had been completed on the 1 July 2021, the contribution of revenue to the consolidated entity's revenue from Spotii, Twisto and Payflex would have been $3.0 million, $18.2 million and $4.3 million, respectively. If the acquisition of Spotii, Twisto and Payflex had been completed on the 1 July 2021, the contribution of loss to the consolidated entity's loss before income tax from Spotii, Twisto and Payflex would have been $8.1 million, $26.2 million and $2.4 million, respectively.

Goodwill recognised on the acquisition of Spotii, Twisto and Payflex has been calculated as the consideration transferred less the fair value of net assets acquired and reflected the growth potential, market opportunities and talent resources of the acquired entities at the dates of acquisition.

Acquisition-related costs totalling $2.1 million have been excluded from the consideration transferred.

Details of the acquisitions are as follows:

	SPOTII OCT 2021 $'000	TWISTO NOV 2021 $'000	PAYFLEX JAN 2022 $'000	TOTAL $'000
Cash and cash equivalents	405	7,588	2,046	10,039
Restricted cash	–	3,968	–	3,968
Customer receivables	9,078	45,632	2,654	57,364
Other receivables	303	1,053	23	1,379
Plant, property and equipment	5	5	98	108
Trade and other payables	(1,277)	(2,416)	(573)	(4,266)
Borrowings	(7,458)	(56,472)	(6,314)	(70,244)
Deferred tax liabilities	–	–	(683)	(683)
Acquired brand names and trademarks	–	6,273	769	7,042
Acquired customer database	–	1,538	–	1,538
Acquired transaction partner database	–	388	1,188	1,576
Acquired IT development and software	5,400	35,386	3,932	44,718
Goodwill[1]	21,102	112,495	18,484	152,081
Acquisition date value of the total consideration transferred	27,558	155,438	21,624	204,620
Representing:				
Zip Co Limited pre-existing investment	5,991	20,103	5,676	31,770
Zip Co Limited shares issued to vendor	21,567	115,375	2,423	139,365
Zip Co Limited Holdback consideration	–	19,323	–	19,323
Zip Co Limited contingent consideration	–	–	6,379	6,379
Zip Co Limited BEE Holdback amount	–	–	623	623
Cash paid to vendor	–	637	6,523	7,160
Total	27,558	155,438	21,624	204,620
Acquisition of subsidiaries, net of cash acquired:				
Cash paid to vendor	–	637	6,523	7,160
Less: cash and cash equivalent acquired	(405)	(11,556)	(2,046)	(14,007)
Acquisition of subsidiaries, net of cash acquired	(405)	(10,919)	4,477	(6,847)

1. None of the goodwill is expected to be deductible for tax purpose.

Notes to the Financial Statements Cont.

B. ACQUISITION FAIR VALUE ADJUSTMENTS

In accordance with the requirements of AASB 3 *Business Combinations*, Zip derecognised its investments in Spotii, Twisto and Payflex, and revalued these pre-existing investments to their fair values on the dates of acquisition, as determined by AASB 13 *Fair Value Measurement*. These revaluations were based on an agreed post valuation enterprise value of $27.6 million (US$20.0 million) for Spotii, $155.4 million (EUR€99.3 million) for Twisto, and $21.6 million (ZAR$250 million) for Payflex. The increase in the valuation and fair value gain of Zip's pre-existing investments are set out in the following tables:

SPOTII	OCT 2021 $'000
Fair value of pre-existing investment on acquisition	5,991
Less: carrying value of investment in associate pre-acquisition	(2,502)
Fair value gain on investment in associate on acquisition	3,489

TWISTO	NOV 2021 $'000
Fair value of pre-existing investment on acquisition	20,103
Less: carrying value of investment at FVTPL pre-acquisition	(18,622)
Fair value gain on investment at FVTPL on acquisition	1,481

PAYFLEX	JAN 2022 $'000
Fair value of pre-existing investment on acquisition	5,676
Less: carrying value of investment in associate pre-acquisition	(664)
Fair value gain on investment at FVTPL on acquisition	5,012

NOTE 7. TAXATION

INCOME TAX BENEFIT

	CONSOLIDATED	
	30 JUNE 2022 $'000	30 JUNE 2021 RESTATED* $'000
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax benefit	(1,105,405)	(743,388)
Tax at the statutory tax rate of 30%	(331,621)	(223,016)
– Share-based payments	1,494	5,663
– Non-deductible expenses	11,209	3,673
– Non-assessable fair value gain	(2,500)	(33,745)
– Goodwill impairment	243,604	–
– Net adjustment relating to the acquisition of QuadPay	–	124,773
– Effect of different tax rates of subsidiaries operating in other jurisdictions	16,959	9,138
	(60,855)	(113,514)
Current year tax losses not recognised	76,088	32,339
Movement in temporary differences not recognised	(15,545)	15,935
Income tax benefit	(312)	(65,240)

* The comparative tax information is re-presented due to the restatement of financial results for the year ended 30 June 2021. Please refer to Note 28 for details of restatements.

Notes to the Financial Statements Cont.

DEFERRED INCOME TAX

The consolidated entity has recognised deferred tax assets arising from temporary differences and tax losses to the extent required to equal deferred tax liabilities. Deferred tax assets and deferred tax liabilities were offset in the Consolidated Statement of Financial Position at 30 June 2021 and at 30 June 2022, to the extent they are levied by the same taxing authority on the same entity or different entities within a tax consolidated group.

Management will recognise the balance of the deferred tax assets on temporary differences and from tax losses once the consolidated entity can demonstrate that it is probable the tax benefits will be utilised within the foreseeable future.

	30 JUNE 2022 $'000	30 JUNE 2021 RESTATED* $'000
Deferred tax assets comprise temporary differences attributable to:		
– Provision for expected credit losses	45,967	33,451
– Other provision and payables	41,746	20,002
– Fair value movements on financial instruments	(10,985)	24,615
Deferred tax assets comprise tax losses:	119,672	43,348
Less: Deferred tax assets not brought to account	(157,353)	(80,556)
Deferred tax assets (recognised from temporary difference) before set off	**39,047**	**40,860**
Set off deferred tax liabilities pursuant to set-off provisions	(39,047)	(40,860)
Net deferred tax assets	**–**	**–**
Deferred tax liabilities comprise temporary differences attributable to:		
– Acquired intangibles and other	39,047	40,860
Deferred tax liabilities before set off	**39,047**	**40,860**
Set off deferred tax assets pursuant to set-off provisions	(39,047)	(40,860)
Net deferred tax liabilities	**–**	**–**

* The comparative tax information is re-presented due to the restatement of financial results for the year ended 30 June 2021. Please refer to Note 28 for details of restatements.

NOTE 8. LOSS PER SHARE

A. RECONCILIATION OF EARNINGS USED IN CALCULATING LOSS PER SHARE

	30 JUNE 2022 $'000	30 JUNE 2021 RESTATED* $'000
Loss attributable to the owners of the consolidated entity used in calculating basic and diluted loss per share	(1,105,093)	(678,148)

B. WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR

	30 JUNE 2022 '000	30 JUNE 2021 '000
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	609,679	514,034

C. BASIC AND DILUTED LOSS PER SHARE

	30 JUNE 2022 CENTS	30 JUNE 2021 RESTATED* $'000
Basic loss per share	(181.26)	(131.93)
Diluted loss per share[1]	(181.26)	(131.93)

1. As the consolidated entity reported losses for the year ended 30 June 2022 and 30 June 2021, no dilutive shares have been included in the EPS calculation.

* The comparative information is restated. Please refer to Note 28.

NOTE 9. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

	30 JUNE 2022 $'000	30 JUNE 2021 $'000
Cash and cash equivalents	241,326	289,212
Restricted cash	58,369	40,989
Total	299,695	330,201

At 30 June 2022 the consolidated entity had total cash of $299.7 million of which $58.4 million was restricted cash (30 June 2021: total cash of $330.2 million of which $41.0 million was restricted cash). Cash held in corporate accounts, considered as unrestricted, includes amounts subsequently remitted to securitisation warehouses and special purpose vehicles post year end (30 June 2022: $33.8 million; 30 June 2021: $22.9 million). Restricted cash is held by the securitisation warehouses and special purpose vehicles and is not available to pay creditors of the consolidated entity.

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RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES

	30 JUNE 2022 $'000	30 JUNE 2021 RESTATED* $'000
Loss after income tax benefit for the year	(1,105,093)	(678,148)
Adjustments for:		
Depreciation and amortisation expense	68,645	91,768
Share-based payments	30,937	142,843
Share of loss of associate	8,348	753
Fair value movements on financial instruments and investments	(128,960)	77,613
Net adjustment relating to the acquisition of QuadPay	–	306,235
Effective interest charged on convertible notes	29,929	10,168
Impairment of goodwill and intangibles	821,111	–
Transaction costs on financial instruments	–	1,236
Change in operating assets and liabilities:		
Movement in customer receivables	(490,852)	(795,383)
Increase in other receivables	(40,213)	(23,392)
Increase in other payables	51,247	41,163
Increase in employee provisions	2,980	3,188
Movement in deferred tax balances	(497)	(65,959)
Net cash from operating activities	(752,418)	(887,915)

* The comparative information is restated. Please refer to Note 28.

NOTE 10. OTHER RECEIVABLES

	CONSOLIDATED	
	30 JUNE 2022 $'000	30 JUNE 2021 RESTATED* $'000
Amounts due from payment platform providers	38,232	3,436
Prepayments	11,005	11,360
Accrued Income	12,785	11,614
Other receivables	10,813	3,785
Total	72,835	30,195

* The comparative information is restated. Please refer to Note 28.

NOTE 11. CUSTOMER RECEIVABLES

AASB 9 *FINANCIAL INSTRUMENTS*

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

- The consolidated entity provides accounts with lines of credit and instalments products 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 when providing lines of credit 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 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. Twelve-month ECL are the expected credit losses that result from default events that are expected within twelve months after the reporting date.
- Stage 2: instruments that have experienced a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised, but "effective interest" revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument.
- Stage 3: includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised and "effective interest" revenue is calculated on the net carrying amount.

EXPECTED CREDIT LOSSES

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

SIGNIFICANT INCREASE IN CREDIT RISK SINCE INITIAL RECOGNITION

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

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DEFINITION OF DEFAULT AND CREDIT – IMPAIRED ASSETS

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

WRITE-OFF POLICY

The consolidated entity's policy is to write off balances that are outstanding for over 180 days for its line of credit products or 84 days for its instalment products, in accordance with historical experience and industry practice. The consolidated entity's instalment product has a short-term duration for customer repayments, typically 42 days.

PROVISIONING MODEL

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

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

Accordingly, under the requirements of AASB 9, a provision has been recognised for performing customer receivables to the extent that expected lifetime losses emerge within a twelve-month period by applying historical roll rates to the credit facility limits. For customers overdue, historical roll rates are applied to the overdue balances over the expected life of the credit facility to determine an amount of expected credit losses.

In the assessment of the provision for expected credit losses at 30 June 2022 management took into consideration all available information relevant to the assessment, including information about past events, current economic conditions and reasonable and supportable information about future events and economic conditions at the report date.

PROVISION OVERLAY

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

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

In the assessment of expected credit losses at 30 June 2022 and at 30 June 2021, management considered base, good and bad scenarios, applying a weighted probability when determining the reported ECL. The base scenario was assessed by applying the actual performance of the customer receivable book. The good and bad scenarios were assessed by applying upside/downside movements to key variables which could have a significant impact on the credit risk. These variables include the probability of default, loss given default, the rate of customer repayments, the customer repayment lifecycle and the bad debts recovery rate. The movement in these variables was supported by modelling macroeconomic scenarios based on forward-looking information.

COVID-19 CONSIDERATION

As at 30 June 2022 and at 30 June 2021, the impact of COVID-19 still existed and its impact was considered in the assessment of the economic overlay.

PROVISION OVERVIEW

From 30 June 2021 to 30 June 2022, the provision for expected credit losses increased by $53.8 million (including $10.3 million taken on the acquisitions of Spotii, Twisto and Payflex), which was primarily driven by the $600.7 million increase in the value of receivables across the consolidated entity's operating segments.

The consolidated entity believes that the provision for expected credit losses, in accordance with AASB 9, is sufficient to address any potential write-offs arising from the current economic environment.

Customer receivables are shown net of unearned future income and the provision for expected credit losses. The difference between fees and interest booked to customers' accounts and portfolio interest income is reported as unearned future income in the financial statements. The following table summarises customer receivables as at the reporting dates:

	APAC[1] $'000	AMERICAS $'000	EMEA $'000	ZIP BUSINESS $'000	CONSOLIDATED $'000
Customer receivable	2,264,577	231,313	84,423	104,261	2,684,574
Unearned future income	(8,682)	(7,545)	(34)	–	(16,261)
Provision for expected credit losses	(116,716)	(29,158)	(8,755)	(5,560)	(160,189)
Balance at 30 June 2022	2,139,179	194,610	75,634	98,701	2,508,124

1. The customer receivables information is presented in line with the classification of the consolidated entity's operating segments. The instalments products customer receivables in APAC segment comprise 0.6% of the total customer receivables presented in APAC segment. Refer to Note 2 for description of the consolidated entity's instalments and line of credit products.

	APAC $'000	AMERICAS $'000	EMEA $'000	ZIP BUSINESS $'000	CONSOLIDATED $'000
Customer receivable (Restated*)	1,808,483	200,732	4,998	69,683	2,083,896
Unearned future income	(13,163)	(8,307)	(107)	–	(21,577)
Provision for expected credit losses	(82,021)	(19,998)	(1,346)	(3,007)	(106,372)
Balance at 30 June 2021 (Restated*)	1,713,299	172,427	3,545	66,676	1,955,947

* The comparative information is restated. Please refer to Note 28.

Notes to the Financial Statements Cont.

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

	APAC $'000	AMERICAS RESTATED* $'000	EMEA $'000	ZIP BUSINESS $'000	CONSOLIDATED $'000
Balance at 30 June 2020	48,150	–	10	3,859	52,019
Taken on acquisitions	–	5,002		–	5,002
Provided for the period	69,799	58,166	2,749	809	131,523
Receivables written-off during the period	(40,135)	(44,670)	(1,442)	(1,700)	(87,947)
Recoveries during the period	4,207	1,500	29	39	5,775
Balance at 30 June 2021	82,021	19,998	1,346	3,007	106,372
Taken on acquisitions	–	–	10,328	–	10,328
Provided for the period	121,505	128,842	18,046	7,713	276,106
Receivables written-off during the period	(96,873)	(124,678)	(16,595)	(5,463)	(243,609)
Recoveries during the period	10,150	3,275	930	371	14,726
Effect of movements in foreign exchange rates	(87)	1,721	(5,300)	(68)	(3,734)
Balance at 30 June 2022	116,716	29,158	8,755	5,560	160,189

* The comparative information is restated. Please refer to Note 28.

The consolidated entity's customer receivable balances are predominately high volume low value advances to individual customers. The following tables provides information about customer receivables classified into Stage 1 to Stage 3 and the provision provided for expected credit losses for each stage. As the consolidated entity's customer receivables are short-term in nature, the staging transfer disclosures have not been provided.

	APAC $'000	AMERICAS $'000	EMEA $'000	ZIP BUSINESS $'000	CONSOLIDATED $'000
CUSTOMER RECEIVABLES					
Stage 1	2,120,690	188,408	76,543	94,983	2,480,624
Stage 2	104,083	25,849	4,641	6,016	140,589
Stage 3	39,804	17,056	3,239	3,262	63,361
Balance at 30 June 2022	2,264,577	231,313	84,423	104,261	2,684,574
PROVISION FOR EXPECTED CREDIT LOSSES					
Stage 1	(40,572)	(14,801)	(2,513)	(2,853)	(60,739)
Stage 2	(48,479)	(4,716)	(3,218)	(1,428)	(57,841)
Stage 3	(27,665)	(9,641)	(3,024)	(1,279)	(41,609)
Balance at 30 June 2022	(116,716)	(29,158)	(8,755)	(5,560)	(160,189)

	APAC $'000	AMERICAS RESTATED* $'000	EMEA $'000	ZIP BUSINESS $'000	CONSOLIDATED $'000
GROSS CUSTOMER RECEIVABLES					
Stage 1	1,703,201	170,301	2,868	67,574	1,943,944
Stage 2	83,612	22,976	1,495	1,198	109,281
Stage 3	21,670	7,455	635	911	30,671
Balance at 30 June 2021	1,808,483	200,732	4,998	69,683	2,083,896
PROVISION FOR EXPECTED CREDIT LOSSES					
Stage 1	(26,537)	(9,805)	(687)	(1,791)	(38,820)
Stage 2	(40,289)	(3,218)	(253)	(823)	(44,583)
Stage 3	(15,195)	(6,975)	(406)	(393)	(22,969)
Balance at 30 June 2021	(82,021)	(19,998)	(1,346)	(3,007)	(106,372)

* The comparative information is restated. Please refer to Note 28.

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

	CONSOLIDATED			
	30 JUNE 2022 $'000	% OF CUSTOMER RECEIVABLES	30 JUNE 2021 $'000	% OF CUSTOMER RECEIVABLES
Past due under 30 days	85,311	3%	66,717	3%
Past due 31 days to under 60 days	41,386	2%	30,010	1%
Past due 61 to under 90 days	32,269	1%	20,908	1%
Past due 91 to under 180 days	44,984	2%	22,317	1%

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

CUSTOMER RECEIVABLES	30 JUNE 2022 $'000	30 JUNE 2021 RESTATED* $'000
Australia	2,328,855	1,847,486
New Zealand	39,984	30,680
Americas (RESTATED*)	231,313	200,732
United Kingdom	1,686	4,998
United Arab Emirates	13,570	–
Czech Republic and Poland	64,340	–
South Africa	4,826	–
Balance	2,684,574	2,083,896

* The comparative information is restated. Please refer to Note 28.

Notes to the Financial Statements Cont.

PROVISION FOR EXPECTED CREDIT LOSSES	30 JUNE 2022 $'000	30 JUNE 2021 $'000
Australia	(120,741)	(83,589)
New Zealand	(1,535)	(1,424)
Americas	(29,158)	(19,691)
United Kingdom	(680)	(1,668)
United Arab Emirates	(1,653)	–
Czech Republic and Poland	(6,140)	–
South Africa	(282)	–
Balance	(160,189)	(106,372)

Zip APAC, Zip AMERICAs and Zip EMEA customer receivables are consumer based in nature and industry classification is not applicable.

The following table shows Zip Business customer receivables presented in their industry classification:

CUSTOMER RECEIVABLES	30 JUNE 2022 $'000	30 JUNE 2021 $'000
Advertising	483	68
Architecture	143	74
Agriculture	2,416	2,721
Construction	15,491	6,071
Education	1,085	64
Financial	3,005	2,523
Hospitality	–	205
Manufacturing	12,683	9,886
Retail	28,016	19,246
Services	28,485	18,548
Telecommunications	–	50
Transportation	3,983	3,103
Wholesale	8,420	7,124
Mining	51	–
Balance at 30 June 2022	104,261	69,683

NOTE 12. INVESTMENTS AT FVTPL

	30 JUNE 2022 $'000
Balance at 30 June 2021	19,034
Fair value gain on revaluation	1,481
Foreign exchange loss	(412)
Derecognition on acquisition of Twisto	(20,103)
Balance at 30 June 2022	–

At 30 June 2021, the investment in Twisto was recorded as an investment measured at FVTPL at $19.0 million, which represented the fair value of Zip's 12.37% interest in Twisto. At the time of Zip's acquisition of the remaining 87.63% interest in Twisto, Zip's existing investment was de-cognised as Zip obtained control over Twisto at the acquisition date of 12 November 2021. Twisto became a fully owned subsidiary of the consolidated entity from this date, with its financial position and profit and loss consolidated into the consolidated entity.

Up to the date of acquisition, the consolidated entity reported a gain on the revaluation of Zip's ownership interest in Twisto. The gain on revaluation of $1.1 million includes a fair value gain of $1.5 million and a foreign exchange loss of $0.4 million in translating the investment from EUR to AUD. The consolidated entity derecognised the investment at FVTPL and accounted for the acquisition as described in Note 6.

NOTE 13. INTANGIBLE ASSETS

	CONSOLIDATED	
	30 JUNE 2022 $'000	30 JUNE 2021 $'000
Carrying amounts		
Brand names and trademarks	855	80
Customer database	619	1,026
Transacting partner database	58,874	69,846
IT development and software	132,002	132,867
	192,350	203,819

Notes to the Financial Statements Cont.

CONSOLIDATED	BRAND NAMES AND TRADEMARKS $'000	CUSTOMER DATABASE $'000	TRANSACTING PARTNER DATABASE $'000	IT DEVELOPMENT AND SOFTWARE $'000	TOTAL $'000
Cost					
Balance at 30 June 2020	298	2,122	1,472	37,129	41,021
Taken on acquisition	42,570	–	84,655	129,191	256,416
Additions	–	–	–	12,220	12,220
Written off	(42,570)	–	–	–	(42,570)
Effect of movements in foreign exchange rates	–	–	(1,847)	(2,758)	(4,605)
Balance at 30 June 2021	298	2,122	84,280	175,782	262,482
Taken on business combinations	7,042	1,538	1,576	44,718	54,874
Additions	–	–	–	28,672	28,672
Effect of movements in foreign exchange rates	17	–	7,598	16,263	23,878
Balance at 30 June 2022	7,357	3,660	93,454	265,435	369,906

CONSOLIDATED	BRAND NAMES AND TRADEMARKS $'000	CUSTOMER DATABASE $'000	TRANSACTING PARTNER DATABASE $'000	IT DEVELOPMENT AND SOFTWARE $'000	TOTAL $'000
Accumulated amortisation and impairment losses					
Balance at 30 June 2020	(170)	(621)	(265)	(14,872)	(15,928)
Additions	(48)	(475)	(14,477)	(28,426)	(43,426)
Effect of movements in foreign exchange rates	–	–	308	383	691
Balance at 30 June 2021	(218)	(1,096)	(14,434)	(42,915)	(58,663)
Additions	(9)	(612)	(17,419)	(44,156)	(62,196)
Impairment	(6,273)	(1,333)	(366)	(44,734)	(52,706)
Effects of movements in foreign exchange rates	(2)	–	(2,361)	(1,628)	(3,991)
Balance at 30 June 2022	(6,502)	(3,041)	(34,580)	(133,433)	(177,556)

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

Internally generated intangibles:

- IT development and software 2.5 years.

Acquired intangibles:

- Brand names indefinite and trademarks 1 to 5 years;
- Customer database 4 to 5 years;
- Transacting partner database 4 to 11 years; and
- IT development and software 5 to 6 years.

The impairment assessment of intangible assets is detailed in Note 14.

NOTE 14. GOODWILL

The consolidated entity has eight cash-generating units (CGUs) at 30 June 2022 as set out in the following table. Goodwill has been allocated to these CGUs.

CONSOLIDATED	ZIP AU $'000	ZIP US[1] $'000	ZIP NZ & UK[2] $'000	ZIP UK[2] $'000	ZIP NZ[2] $'000	ZIP BUSINESS $'000	SPOTII[1] $'000	TWISTO[1] $'000	PAYFLEX $'000	CONSOLI – DATED $'000
Balance at 30 June 2021	4,548	719,463	46,838	–	–	2,112	–	–	–	772,961
Reallocation of goodwill	–	–	(46,838)	44,678	2,160	–	–	–	–	–
Add: amount recognised on acquisitions	–	–	–	–	–	–	21,102	112,495	18,484	152,081
Impairment	–	(589,262)	–	(44,678)	(868)	–	(21,102)	(112,495)	–	(768,405)
Effect of movements in foreign exchange rates	–	65,605	–	–	(58)	–	–	–	560	66,107
Balance at 30 June 2022	4,548	195,806	–	–	1,234	2,112	–	–	19,044	222,744

1. QuadPay and Urge operations are considered as Zip US CGU for impairment assessment purposes. During the year ended 30 June 2022, Zip acquired Spotii, Twisto and Payflex. Spotii, Twisto and Payflex operate under separate management teams and the cash flows are independent. Management have determined that Spotii, Twisto and Payflex are separate CGUs.
2. Zip NZ & UK were acquired as part of the acquisition of PartPay and were considered as one CGU for impairment assessment purposes at 30 June 2021. From 1 July 2021, management started to monitor Zip UK under the EMEA segment and to monitor Zip NZ under the Asia Pacific segment, and goodwill was reallocated between the Zip UK CGU and the Zip NZ CGU.

Notes to the Financial Statements Cont.

IMPAIRMENT ASSESSMENT FOR GOODWILL, INCLUDING INTANGIBLE ASSETS:

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

Zip UK and Zip NZ businesses now both have a separate active market that generates independent cash inflows, and operate on different technology platforms. On this basis, management have split out Zip UK and Zip NZ as separate CGUs commencing 1 July 2021.

As at 30 June 2022, for each of the consolidated entity's CGUs, the recoverable amount has been calculated based on value-in-use using free cash flow to equity (FCFE) projections covering a five-year period, including tax expense where relevant and financing costs, and then applying a discount rate comprising a cost of equity. Cash flow projections during the forecast period are based on the forecast revenue and transaction volume growth. Except Zip UK, Twisto and Spotii CGUs which incurred full impairment charges, cash flows beyond the five-year period for the remaining CGUs have been extrapolated using a steady long-term annual growth rate which did not exceed the long-term average for the sectors and economies in which the CGUs operate. The steady long-term growth rate was estimated by the directors based on past performance of each cash-generating unit and the growth expectations for the markets in which they operate.

Cash flow projections during the forecast period are based on forecast revenue growth arising from increasing total transaction volumes for the Zip AU, Zip NZ, Zip UK, Zip US, Spotii, Twisto, and Payflex CGUs, and future originations for the Zip Business CGU. Forecast increases in gross margin and operating costs have been included to support the forecast growth in volumes. The impact of COVID-19, inflation and interest rates on the markets in which the CGUs operate has been considered in determining the forecasts.

ZIP UK CGU, SPOTII CGU AND TWISTO CGU

During the consolidated entity's annual impairment assessment process, management reviewed and revised its strategic priorities to increase its focus on sustainable growth and profitability in core markets. The revision included an assessment of the availability of capital, an evaluation of the allocation of capital to ensure it was being allocated to the most significant opportunities for profitable growth, and a review of Zip's global presence and opportunities to right-size its global cost base.

To deliver optimal returns in the short to medium term, management have made the decision to reduce the allocation of capital available to drive growth across the UK, Spotii and Twisto, reducing growth rates and subsequent cashflows from those CGUs. Consequently, the recoverable amount for the UK, Spotii and Twisto CGUs was significantly less than their carrying amount. In accordance with AASB 136 *Impairment of Assets*, the consolidated entity has fully impaired the carrying amount of goodwill and intangibles recognised from the acquisition of the UK, Spotii and Twisto.

ZIP NZ CGU AND ZIP US CGU

Following the review of market conditions and the availability of capital, management have reduced forecast growth rates and cash flows across the US and New Zealand. The reduced forecast growth rates and cash flows resulted in a lower recoverable amount than the carrying value. Consequently, a goodwill impairment charge of $0.87 million and $589.3 million was recorded for the Zip NZ CGU and the Zip US CGU respectively.

ZIP AU CGU, ZIP BUSINESS CGU AND PAYFLEX CGU

For the Zip AU, Zip Business and Payflex CGUs, the carrying amount does not exceed the recoverable amount therefore no impairment of goodwill and intangible assets at 30 June 2022 has been recorded.

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

AT 30 JUNE 2022	ZIP AU %	ZIP NZ %	ZIP US %	ZIP BUSINESS %	PAYFLEX %
Discount rate – post tax[1]	12.7%	13.0%	12.5%	12.7%	24.6%
Long-term annual growth rate	2.5%	2.5%	4.0%	2.5%	4.0%

1. Management have used a post-tax discount rate applied to post-tax cash flows to be aligned with how valuation practitioners would ordinarily undertake such an exercise. Pre-tax discount rates used in the prior financial year impairment assessment were 11.1% for Zip AU CGU, 20.1% for Zip NZ CGU, 20.1% for Zip US CGU and 29.6% for Zip Business CGU, respectively.

No impairment charge was reported in the financial year ended 30 June 2021.

SENSITIVITY TO CHANGES IN ASSUMPTIONS

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

The percentage reduction in the forecast compound annual growth rate (CAGR) in transaction volumes over the five-year forecast period, or increase in discount rate, or decrease in long-term growth rate, that would reduce the excess of the recoverable amount over the carrying amount for each CGU to zero, but would not result in an impairment charge, is summarised in the following table:

AT 30 JUNE 2022	ZIP AU %	ZIP BUSINESS %	PAYFLEX %
Percentage reduction in the forecast CAGR of transaction volumes	26.5%	22.6%	1.3%
Increase in discount rate %	124.7%	18.0%	0.7%
Decrease in long-term annual growth rate %	N/A[1]	N/A[1]	1.4%

1. For Zip AU and Zip Business CGUs, reducing the long-term annual growth rate to zero would not result in an impairment charge for these CGUs.

The additional impairment charge which would result from the percentage reduction in the forecast compound annual growth rate (CAGR) in transaction volumes over the five-year forecast period, or decrease in long-term annual growth rate, is summarised in the following table:

AT 30 JUNE 2022	ZIP US $'000	ZIP NZ $'000
Percentage reduction in the forecast CAGR of transaction volumes – 1%	3,864	93
Increase in discount rate – 1%	39,895	434
Decrease in long-term annual growth rate – 1%	28,870	292

Notes to the Financial Statements Cont.

NOTE 15. TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	30 JUNE 2022 $'000	30 JUNE 2021 RESTATED* $'000
Trade payables	34,830	36,663
Amounts due to merchants and other partners	75,253	17,206
Other	30,464	3,988
Total	140,547	57,857

* The comparative information is restated. Please refer to Note 28.

NOTE 16. DEFERRED CONSIDERATION

	CONSOLIDATED
	$'000
Balance at 30 June 2021	6,990
Issue of shares	(6,990)
Addition	26,325
Unrealised foreign exchange impact	(141)
Balance at 30 June 2022	26,184

PARTPAY DEFERRED CONSIDERATION

Under the terms of the acquisition of PartPay Limited (acquired in October 2019), Zip agreed to issue up to a maximum of NZ$15.0 million of deferred consideration in Zip shares or cash to the PartPay shareholders, subject to the achievement of minimum transaction volumes on the PartPay platform during the financial years 2020 and 2021.

The number of Zip's shares to be issued is calculated on the higher of $2.76 per Zip's share and a 5% discount to the volume weighted average price of Zip's shares on the ASX in the 10 trading days prior to the date of issue.

PartPay satisfied the performance milestones in the financial year 2020 and accordingly 1,091,742 shares were issued to the PartPay shareholders on 14 October 2020, valued at $7.0 million. Consequently the balance of the contingent consideration was reduced to $7.0 million as at 30 June 2021.

PartPay satisfied the remaining performance milestones in the financial year 2021 and accordingly 1,091,499 shares were issued to the PartPay shareholders on 18 October 2021, valued at $7.0 million, which reduced the balance of the contingent consideration to nil.

TWISTO HOLDBACK CONSIDERATION

Under the terms of the acquisition of Twisto, consideration of $19.3 million (EUR€12.5 million) was held back for the purposes of satisfying any claims that may arise under the acquisition agreement, to be settled through the issue of new ordinary shares in Zip subject to a maximum issuance of 4,550,000 shares (Holdback Consideration), with the balance payable in cash, or subject to the ASX listing rules, in shares. If no claims have been made by the end of the one-year anniversary of completion, Zip has 60 days to issue these Zip Shares. If a claim has been made and has not been Finally determined or resolved by the end of the one-year anniversary of completion, Zip has up to no later than four years after the anniversary of completion of the acquisition to issue these Zip Shares. The Holdback Consideration will be issued at an issue price equal to the Company's 30-day VWAP immediately prior to their issuance, subject to a 'minimum floor share price' of $5.00 per Share and an 'exchange rate cap' of $1.82 per EUR. Further details regarding the Twisto acquisition are set out in the Notice of Meeting and Explanatory Statement lodged by Zip on ASX on 29 September 2021. At 30 June 2022, there have been no claims made.

PAYFLEX CONTINGENT CONSIDERATION AND BEE HOLDBACK AMOUNT

Under the terms of the acquisition of Payflex, a maximum contingent consideration of $6.4 million (ZAR$73.8 million) is payable to the Payflex shareholders in Zip shares or cash, subject to the achievement of performance targets during the financial year 2022. As at year end, Payflex has achieved the performance target and accordingly, the full amount will be payable by 30 September 2022.

The number of Zip's shares to be issued is calculated on a 15-day weighted average price of Zip's shares on the ASX prior to the date of issue, capped at 1,053,608 shares. The excess amount is to be paid in cash.

In addition, it is the intention that Payflex becomes empowered on the basis that it will have ownership of 26% by a Black Economic Empowerment ("BBE") entity in South Africa. Therefore, Zip has agreed to holdback an amount of $0.6 million (ZAR$7.2 million) for twelve months from the date of completion. If the BEE transaction is not implemented within a 12-month period post completion, the holdback amount will be paid out to the shareholders of Payflex as part of the purchase consideration.

Notes to the Financial Statements Cont.

NOTE 17. BORROWINGS

BORROWINGS AND SECURITISATION WAREHOUSE

	CONSOLIDATED	
	30 JUNE 2022 $'000	30 JUNE 2021 $'000
Secured Consumer facilities	2,326,031	1,624,153
Secured SME facilities	53,518	38,984
Corporate facility[1]	1,893	–
	2,381,442	1,663,137
Add: accrued interest	4,434	3,589
Less: unamortised costs	(4,967)	(7,493)
	2,380,909	1,659,233

1. Twisto corporate asset-backed facility.

The consolidated entity sells customer receivables to securitisation warehouses and special purpose vehicles through its asset-backed financing program. The securitisation warehouses and special purpose vehicles are consolidated as the consolidated entity is exposed to, or has rights to, variable equity returns, and has the ability to affect its returns through its power over the securitisation warehouses and special purpose vehicles.

ASSETS PLEDGED AS SECURITY

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

	CONSOLIDATED	
	30 JUNE 2022 $'000	30 JUNE 2021 RESTATED* $'000
Customer receivables[1]	2,405,196	1,930,461
Cash held in asset-backed financing program	58,369	40,989
	2,463,565	1,971,450
Borrowings related to receivables[2]	2,552,830	2,007,889

* The comparative information is restated. Please refer to Note 28.

1. The amount recognised above represents the carrying value of the customer receivables held by securitisation warehouses and special purpose vehicles and is net of the provision for expected credit losses and unearned future income. This excludes customer receivables totalling $27.2 million held by entities that do not have asset-backed financing programs in place at 30 June 2022 and $25.5 million at 30 June 2021.
2. Including $226.8 million junior and seller notes held by Zip's corporate entities ($344.8 million at 30 June 2021).

TERM OF FACILITIES FINANCING ARRANGEMENTS

CONSUMER RECEIVABLES	FACILITY LIMIT $'000	DRAWN AT 30 JUNE 2022 $'000	MATURITY	FACILITY TYPE
Zip Master Trust				
– Rated Note Series				
– 2020-1	285,000	285,000	October 2022	BBSW + Margin
– 2021-1	475,000	475,000	April 2024	BBSW + Margin
– 2021-2	617,500	617,500	September 2024	BBSW + Margin
– Variable Funding Note	535,420	430,241	March 2024	BBSW + Margin
– Variable Funding Note 2	200,000	15,000	January 2023	BBSW + Margin
zipMoney 2017-1 Trust	264,700	211,000	May 2023	BBSW + Margin
zipMoney 2017-2 Trust	100,000	47,000	September 2023	BBSW + Margin
AR2LLC[1]	435,477	169,648	May 2024	SOFR
Zip NZ Trust 2021-1[2]	27,056	14,430	July 2023	BKBM +Margin
Twisto Czech[3]	58,730	34,675	March 2023	EURIBOR + Margin
Twisto Poland[3]	29,443	23,864	November 2022	EURIBOR + Margin
Payflex[4]	4,901	2,673	January 2025	PLR + Margin
Total	3,033,227	2,326,031		

1. Facility limit of US$300.0 million translated to AUD at exchange rate of 0.6889.
2. Facility limit of NZ$30.0 million translated to AUD at exchange rate of 1.1088.
3. Facility limits of CZK$958.0 million for Twisto Czech and EUR€19.4 million for Twisto Poland translated to AUD at the exchange rates of 16.3119 and 0.6589 respectively.
4. Facility limit of ZAR$55.0 million translated to AUD at exchange rate of 11.2214.

SME RECEIVABLES

	FACILITY LIMIT $'000	DRAWN AT 30 JUNE 2022 $'000	MATURITY	FACILITY TYPE
Securitisation Warehouses				
Zip Biz Trust 2022-1	60,000	32,760	March 2024	BBSW + Margin
Funding Box NZ[1]	36,075	7,258	November 2023	BKBM + Margin
Zip Biz 2020-1 Trust	100,000	13,500	November 2023	BBSW + Margin
Total	196,075	53,518		

1. Facility limit of NZ$40.0 million translated to AUD at exchange rate of 1.1088.

Notes to the Financial Statements Cont.

RECONCILIATION OF BORROWINGS

AT JUNE 2022	30 JUNE 2021 $'000	CASH MOVEMENT[1] $'000	NON-CASH MOVEMENT $'000	30 JUNE 2022 $'000
Gross borrowings	1,663,137	718,305	0	2,381,442
Accrued interest	3,589	(61,476)	62,321	4,434
Unamortised costs	(7,493)	(2,390)	4,916	(4,967)
Total	1,659,233	654,439	67,237	2,380,909

AT JUNE 2021	30 JUNE 2020 $'000	CASH MOVEMENT[2] $'000	NON-CASH MOVEMENT $'000	30 JUNE 2021 $'000
Gross borrowings	1,082,087	581,050	–	1,663,137
Accrued interest	2,370	(57,432)	58,651	3,589
Unamortised costs	(2,503)	(2,084)	(2,906)	(7,493)
Total	1,081,954	521,534	55,745	1,659,233

1. The cash movements shown in gross borrowings in the financial year ended 30 June 2022 includes a taken-on amount of $64.0 million as a result of the acquisition of Spotii and Twisto. Note that interest payment of $0.2 million for leasing liabilities is excluded from the cash movement in the reconciliation.
2. The cash movements shown in gross borrowings in the financial year ended 30 June 2021 includes a taken-on amount of $50.4 million as a result of the acquisition of QuadPay. Note that interest payment of $0.2 million for leasing liabilities is excluded from the cash movement in the reconciliation.

NOTE 18. ISSUED CAPITAL

ORDINARY SHARES

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

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

	30 JUNE 2022 SHARES '000	30 JUNE 2022 $'000	30 JUNE 2021 SHARES '000	30 JUNE 2021 $'000
Ordinary shares – fully paid	687,936	2,041,496	562,136	1,688,785
	687,936	2,041,496	562,136	1,688,785

MOVEMENTS IN ORDINARY SHARE CAPITAL

DETAILS	DATE	SHARES '000	$'000
Balance	30 June 2020	390,390	274,151
Issue of shares – employee incentives		11,637	141,758
Issue of shares – capital raising		33,191	176,710
Issue of shares – exercise of options		6,618	1,342
Issue of shares – acquisitions		119,208	1,090,741
Issue of shares – PartPay contingent consideration		1,092	6,989
Cost of issuing shares		–	(2,906)
Balance	30 June 2021	562,136	1,688,785
Issue of shares – employee incentives		5,736	35,421
Issue of shares – capital raising		94,492	172,729
Issue of shares – exercise of options		2,177	310
Issue of shares – acquisitions		21,783	137,209
Issue of shares – PartPay contingent consideration		1,092	6,990
Issue of shares – acquisition of intangibles		520	3,440
Cost of issuing shares		–	(3,388)
Balance	30 June 2022	687,936	2,041,496

MOVEMENTS IN PERFORMANCE RIGHTS

DETAILS	DATE	RIGHTS '000
Balance	30 June 2020	3,109
Issued during the year		4,065
Lapsed during the year		(391)
Vested during the year		(6)
Balance	30 June 2021	6,777
Issued during the year		6,212
Lapsed during the year		(3,002)
Vested during the year		(11)
Exercised during the year		(784)
Balance	30 June 2022	9,192

Notes to the Financial Statements Cont.

SHARES UNDER PERFORMANCE RIGHTS

SHARES UNDER AT RISK LONG-TERM INCENTIVES (LVTR):

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

ISSUE DATE	VESTING DATE	EXPIRY DATE	NUMBER OF RIGHTS ISSUED	FAIR VALUE AT GRANT DATE $
15 February 2019	15 September 2021	15 February 2025	393,333	0.287
15 February 2019	15 February 2022	15 February 2025	406,666	0.287
15 February 2019	15 September 2022	15 February 2025	393,333	0.317
15 February 2019	15 February 2023	15 February 2025	406,666	0.317
15 February 2019	15 September 2023	15 February 2025	393,334	0.330
15 February 2019	15 February 2024	15 February 2025	406,668	0.330
15 December 2019	15 September 2022	15 December 2025	20,548	1.900
15 December 2019	15 September 2022	15 December 2025	20,117	1.980
15 December 2019	15 September 2022	15 December 2025	54,795	0.630
15 December 2019	15 September 2023	15 December 2025	54,795	0.760
15 December 2019	15 September 2024	15 December 2025	54,794	0.810
2 July 2020	15 September 2023	24 June 2026	192,956	1.56
2 July 2020	15 September 2024	24 June 2026	192,955	1.63
2 July 2020	15 September 2025	24 June 2026	192,953	1.65
26 October 2020	14 September 2023	22 October 2026	23,030	4.68
7 June 2021	7 June 2022	7 June 2027	110,000	6.88
7 June 2021	7 June 2023	7 June 2027	110,000	6.88
7 June 2021	7 June 2024	7 June 2027	110,000	6.88
15 November 2021	15 September 2024	30 November 2027	11,127	2.99
15 November 2021	15 September 2024	30 November 2027	57,204	2.99
18 November 2021	15 September 2024	30 November 2027	101,260	2.99
19 November 2021	15 September 2024	30 November 2027	105,504	2.99
23 November 2021	15 September 2024	30 November 2027	61,815	2.99
24 November 2021	15 September 2024	30 November 2027	25,070	2.99
29 November 2021	15 September 2024	30 November 2027	12,776	2.99
Total at 30 June 2022			3,911,699	

ISSUED IN THE YEAR ENDED 30 JUNE 2022:

ISSUE DATE	VESTING DATE	EXPIRY DATE	NUMBER OF RIGHTS ISSUED	FAIR VALUE AT GRANT DATE $
15 November 2021	15 September 2024	30 November 2027	11,127	2.99
15 November 2021	15 September 2024	30 November 2027	57,204	2.99
18 November 2021	15 September 2024	30 November 2027	101,260	2.99
19 November 2021	15 September 2024	30 November 2027	105,504	2.99
23 November 2021	15 September 2024	30 November 2027	61,815	2.99
24 November 2021	15 September 2024	30 November 2027	25,070	2.99
29 November 2021	15 September 2024	30 November 2027	12,776	2.99
Total issued in the financial year			374,756	

LAPSED IN THE YEAR ENDED 30 JUNE 2022:

ISSUE DATE	VESTING DATE	EXPIRY DATE	NUMBER ISSUED
15 December 2019	15 September 2022	15 December 2025	(51,370)
15 December 2019	15 September 2023	15 December 2025	(51,370)
15 December 2019	15 September 2024	15 December 2025	(51,370)
2 July 2020	15 September 2023	24 June 2026	(195,208)
2 July 2020	15 September 2024	24 June 2026	(195,207)
2 July 2020	15 September 2025	24 June 2026	(195,207)
26 October 2020	14 September 2023	22 October 2026	(79,457)
9 June 2021	9 June 2022	9 June 2027	(91,743)
9 June 2021	9 June 2023	9 June 2027	(91,743)
9 June 2021	9 June 2024	9 June 2027	(91,743)
Total lapsed in the financial year			(1,094,418)

SHARES UNDER LONG-TERM EQUITY (LTE):

LTEs issued provide Zip with the best opportunity to retain senior leaders and attract high-quality talent. LTEs were issued with equal vesting over 4 years (25% per year). LTE is not subject to any performance hurdles and only requires the Executive to remain employed for the rights to vest.

Details of LTEs outstanding during the year are as follows:

	WEIGHTED AVERAGE FAIR VALUE ($)	NUMBER OF LTE ISSUED
Balance at the 30 June 2021		2,145,658
Issued during the year	5.46	5,837,586
Forfeited during the year	6.58	(1,907,352)
Vested during the year	7.16	(795,345)
Total at 30 June 2022		5,280,547

Notes to the Financial Statements Cont.

MOVEMENTS IN WARRANTS

DETAILS	WARRANTS '000
Balance at 30 June 2021	33,980
Issue of warrants	–
Balance at 30 June 2022	33,980

The following table shows details of warrants issued outstanding at 30 June 2022:

ISSUE DATE	EXPIRY DATE	EXERCISE PRICE	NUMBER ISSUED
6 November 2019	6 November 2026	$4.70	14,615,000
1 September 2020[1]	1 September 2023	$1.48	19,365,208
Total at 30 June 2022			33,980,208

1. Refer to Note 5 for details of the warrants issued to CVI.

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

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

The transaction volumes processed through Amazon Australia have not met the requirement of the first performance milestone on the second anniversary date, being 7 November 2021, and as a result 1,826,875 Amazon Warrants, representing 12.5% of the total Amazon warrants, expired on this basis, and were cancelled on 9 August 2022.

There were no other Amazon Warrants exercised or expired during the year ended 30 June 2022.

MOVEMENTS IN CONVERTIBLE NOTES

DETAILS	CONVERTIBLE NOTES
Balance at 30 June 2021	3,000
Balance at 30 June 2022	3,000
Representing as:	
Issue of convertible notes issued on 1 September 2020[1]	1,000
Issue of convertible notes issued on 23 April 2021[1,2]	2,000
	3,000

1. Refer to Note 5 for details of the convertible notes outstanding at 30 June 2022.
2. The issuance of 2,000 convertible notes on 23 April 2021 is listed on Singapore Exchange (SGX).

ADDITIONAL INFORMATION RELATING TO UNISSUED SECURITIES

Performance Shares that may be Issued to Urge Vendors

Under the terms of the acquisition of Urge Holdings Pty Ltd, Zip agreed to issue up to a maximum of $5.5 million of shares to the vendors as the 'milestone consideration' based on the achievement of certain prescribed performance milestones. The measurement period for determining whether the milestones have been satisfied commenced in April 2021.

The milestone consideration may also become payable early as a result of specific acceleration events.

The full terms of the milestone consideration, including the requirement for the vendors to remain employed, and details of the Urge acquisition were included in Zip's ASX announcement on 26 October 2020.

Depending on the relevant milestone that is achieved, shares will be issued at either an issue price of $6.8439 per share, or an issue price equal to the higher of $6.00 per share, and the volume weighted average price of Zip's shares in the 30 trading days prior to their applicable issue date.

The maximum number of shares that may be issued on the achievement of the milestones is 916,660 (which was determined based on an agreed minimum price of $6.00 per share). If, when any shares are issued as the milestone consideration, Zip's share price is less than $6.00, Zip may be required to pay a 'true up' amount in cash or in shares, wholly or partially, at Zip's discretion, to the vendors for the difference. If, when any shares are issued as the 'true up' amount, the issue price will equal the volume weighted average price of Zip's shares in the 30 trading days prior to their applicable issue date. The milestones must generally be satisfied by no later than 3.5 years after the acquisition date of 26 October 2020, as otherwise, the right to receive the milestone consideration will lapse.

During the year ended 30 June 2022, the milestones were partially achieved, and 1,099,711 shares were issued as milestone considerations accordingly.

Tenure Consideration Shares and Performance Consideration Shares that may be Issued to QuadPay Founders

Under the terms of the acquisition of QuadPay Inc., Zip agreed to issue the QuadPay Founders a maximum of 5,000,000 Shares (split equally) (Tenure Consideration Shares). The Tenure Consideration Shares will be issued in equal instalments in the two-year period after completion of the transaction, which occurred on 31 August 2020, subject to the QuadPay Founders continuing to remain employed with QuadPay. In addition, Zip agreed to issue up to a maximum amount of US$60 million at Zip's discretion either in cash or by the issue of up to a maximum of 24,570,024 shares (Performance Consideration Shares), split equally between each QuadPay Founder subject to the achievement of certain prescribed minimum Total Transaction Volume (TTV) performance targets on the QuadPay platform during the period from 1 January 2020 to 30 June 2022, and remaining employed during this period.

The first instalment of 2,500,000 Tenure Consideration Shares have been issued to QuadPay Founders on 30 September 2021, following QuadPay Founders' continuous employment with QuadPay to the first anniversary date. The second instalment of up to 2,500,000 Tenure Consideration Shares remains unissued at 30 June 2022, and will be issued subject to the QuadPay Founders continuing to remain employed with QuadPay on the second anniversary date.

The first performance target was met by the QuadPay Founders, with the TTV on the QuadPay platform for the rolling three months to 31 December 2020 exceeding the TTV performance targets. Accordingly, Zip issued 5,398,824 shares on 24 May 2021 to the QuadPay Founders as part of the Performance Consideration Shares. The number of Zip's shares issued was calculated based on the volume weighted average price of Zip's shares on the ASX in the 15 trading days prior to the date of issuance.

Notes to the Financial Statements Cont.

The second performance target has been met by the QuadPay Founders, with the TTV on the QuadPay platform for the rolling three months to November 2021 exceeding the TTV performance targets. Accordingly, a payment of US$7.5 million will be made to each QuadPay Founder. The number of shares to be issued, will be calculated based on the higher of $3.70 per share and the volume weighted average price of Zip's shares on the ASX in the 15 trading days prior to the date of issuance, with the balance payable in cash.

The third performance target had a deadline of 30 June 2022 and this was not met by the QuadPay Founders. As a result, there will be no payments made to the QuadPay Founders in relation to the third performance target. After the payments due pursuant to the second performance target are made to the QuadPay Founders, the balance of the Performance Consideration Shares will be reduced to nil.

PERFORMANCE SHARES THAT MAY BE ISSUED TO A SUBSET SPOTII SELLERS

Under the terms of the acquisition of Spotii, Zip has agreed to pay up to US$15.0 million in performance payments to a subset of Spotii sellers subject to the satisfaction of prescribed performance targets and, for a co-founder, their respective continued employment at the date of satisfaction of the relevant performance targets.

The performance payments can be paid by Zip, at its discretion by the issue of additional Zip shares (up to a maximum number of 3,550,000 Zip shares), with the balance payable in cash. The performance milestones are based on aggressive growth targets relating to the achievement of a certain total transaction volumes, active customers, and gross profit margin targets.

If the performance payments are payable, they will be paid in up to 3 payment tranches relating to the twelve-month "performance periods" ending on 30 June 2022, 30 June 2023 and 30 June 2024. If any of these additional consideration amounts are paid in Zip shares:

- the number of Zip shares to be received will be determined based on the higher of the volume weighted average price of Zip's shares on the ASX for the 30 trading days before the applicable issue date and a minimum share price of $6.00 per share, with Zip required to pay a cash true up amount for any difference (including any difference in a prescribed exchange rate cap); and
- 60% of each tranche of Zip shares issued to each seller as part of this additional consideration will be subject to a 1 year voluntary escrow period commencing on 1 July 2022 immediately after the relevant "performance period".

At 30 June 2022, none of the performance targets have been met.

SHARE BUY-BACK

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

NOTE 19. DIVIDENDS

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

NOTE 20. FINANCIAL RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT OBJECTIVES

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

MARKET RISK

FOREIGN CURRENCY RISK

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

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

The consolidated entity did not hedge any foreign currency risks during the financial year ended 30 June 2022 or 30 June 2021.

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

PRICE RISK

The consolidated entity is exposed to the equity price risk arising from its embedded derivative in the Convertible Notes and Warrants issued to CVI, which have been recorded as financial liabilities at 30 June 2022.

As detailed in Note 5, Zip has reported a financial liability at 30 June 2022 in relation to the underlying debt component of the convertible notes to CVI of $73.6 million (FY21: $65.3 million), and the embedded derivative and warrants issued have been valued at fair values of $1.85 million (FY21: $60.6 million) and $0.1 million (FY21: $60.3 million) respectively using the Black Scholes option valuation model. The fair values have been based on a closing Zip's share price at 30 June 2022 of $0.44, volatility of 60%, and a risk free rate of 3.0% for the embedded derivative, and 2.4% for the warrants. The different risk free rates reflect the different expiry dates of the instruments. A fair value gain of $119.0 million has been recorded, being the movement in the fair values of the embedded derivative and warrants between 30 June 2021 and 30 June 2022.

The valuation of the above-mentioned financial liabilities has Zip's share price as the key input. The fair values of these financial liabilities dependent on the share price of Zip which is listed on the Australian Securities Exchange (ASX).

The sensitivity analyses below have been determined based on the exposure to Zip's share price at 30 June 2022.

Notes to the Financial Statements Cont.

If Zip's share price had been 1% higher/lower:

- Loss after tax for the year ended 30 June 2022 would increase/decrease by $0.5 million as a result of the changes in fair values of these financial liabilities (30 June 2021: $1.7 million); and
- Equity would decrease/increase by $0.5 million as a result of the changes in fair values of these financial liabilities (30 June 2021: $1.7 million).

INTEREST RATE RISK

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

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

At 30 June 2022 and 30 June 2021, the consolidated entity had a $100.0 million convertible notes issued to CVI which bears interest payable semi-annually at a fixed amount of $0.75 million and had a $400.0 million convertible notes issued on 23 April 2021 with zero coupon and a yield of 2.25% per annum calculated on a semi-annual basis. Refer to Note 5 for details.

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

	WEIGHTED AVERAGE INTEREST RATE	30 JUNE 2022 $'000	WEIGHTED AVERAGE INTEREST RATE	30 JUNE 2021 $'000
Floating-rate secured borrowing	3.70%	(2,379,549)	3.56%	(1,629,654)

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

	30 JUNE 2022 $'000	30 JUNE 2021 RESTATED* $'000
Cash and cash equivalents	241,326	289,212
Restricted cash	58,369	40,989
Term deposit	3,864	1,507
Floating-rate secured borrowing	(2,379,549)	(1,629,654)

* The comparative information is restated to reflect changes in classification. Please refer to Note 28.

In the event of a +/– 1% movement in the floating borrowing rates, based on reasonable possible judgement, and with all other variables held constant, the consolidated entity's:

- Loss after tax for the year ended 30 June 2022 would increase/decrease by $14.5 million (2021: increase/decrease by $9.1 million). This is mainly attributable to the consolidated entity's exposure to interest rates on its floating-rate borrowings; and
- Equity at 30 June 2022 would decrease/increase by $14.5 million (2021: decrease/increase by $9.1 million).

INTEREST RATE BENCHMARK REFORM

Management consider the risk arising from financial instruments because of the Interest Benchmark Reform is the interest rate risk. The interest risk arising from the Interest Benchmark Reform has an immaterial impact on the consolidated entity, and the risk has been closely monitored by reviewing the total amounts of contracts that had yet to transition to an alternative benchmark rate and proactively managing the existing IBOR-linked contracts with a transition to new benchmark interest rates.

During the financial year ended 30 June 2022, the consolidated entity modified the terms of its floating-rate secured borrowing facility in the US, which was indexed to USD LIBOR, to reference Secured Overnight Financing Rate (SOFR). After the transition, the method used to calculate the interest rate has been modified with an updated fixed spread to compensate for the basis difference between the existing interest rate benchmark and the alternative benchmark rate. The transition was a direct consequence of IBOR reform and the new basis for determining the contractual cash flows was economically equivalent to the previous basis (i.e. the basis immediately preceding the change). The consolidated entity applied the practical expedient and changed the basis for determining the contractual cash flows prospectively by revising the effective interest rate. There were no other changes to the contractual terms that are not necessary as a direct consequence of the IBOR reform.

At 30 June 2022, the consolidated entity did not have derivatives or non-derivative financial instruments which were not yet transitioned to an alternative benchmark rate when interest under the contract was indexed to a benchmark rate that was still subject to IBOR reform. There are no further changes to interest rates in the consolidated entity arising from the interest rate benchmark reform. The consolidated entity did not have material hedging items or hedging instruments at 30 June 2022.

CREDIT RISK

- Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming application details and setting appropriate credit limits prior to customers joining the Zip platform.
- The consolidated entity regularly reviews customer collections, and collections past due. If there are uncollectable customer receivables, the consolidated entity will write off these receivables but will continue to work on their recovery.
- The consolidated entity regularly reviews the level of provision for expected credit loss to ensure that the level of provision is sufficient to mitigate the credit risk exposure in terms of financial reporting. The provision raised represents management's expectation for credit losses in the receivables portfolio at the reporting date measured in accordance with AASB 9.
- The collective provision is estimated on the basis of historical loss experience for assets with similar credit characteristics by the consolidated entity and other companies with similar portfolios. The maximum exposure to credit risk at the reporting date for recognised financial assets is the carrying amount, net of any provisions for expected credit losses of those assets, as disclosed in the consolidated statement of financial position and notes to the consolidated financial statements. Refer to Note 11 for detailed assessment of expected credit losses.
- The consolidated entity does not hold any collateral or other credit enhancements.

Notes to the Financial Statements Cont.

LIQUIDITY RISK

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

Each of the securitisation warehouses in place has loan covenants that are in line with standard market practice given the nature of the warehouse facilities. There were no 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 17.

REMAINING CONTRACTUAL MATURITIES

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

- An average repayment profile of six months for Zip Pay receivables, ten months for Zip Money and twelve months for SME receivables;
- Instalment product has a short-term duration for customer repayments, typically 42 days, for instalments product within the Zip New Zealand business, and the Zip Americas and Zip EMEA operating segments.

The following tables detail the consolidated entity's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the Consolidated Statement of Financial Position.

CONSOLIDATED 30 JUNE 2022	WEIGHTED AVERAGE INTEREST RATE %	1 YEAR OR LESS $'000	BETWEEN 1 AND 2 YEARS $'000	BETWEEN 2 AND 5 YEARS $'000	OVER 5 YEARS $'000	REMAINING CONTRACTUAL MATURITIES $'000
Non-interest-bearing						
Trade and other payables		140,547	–	–	–	140,547
Deferred contingent consideration		26,184	–	–	–	26,184
Lease liabilities		3,080	435	551	–	4,066
Interest-bearing						
Borrowings						
– floating-rate Borrowings	3.70%	594,731	1,169,079	620,173	–	2,383,983
– fixed rate Borrowings	11.50%	–	1,893	–	–	1,893
Total non-derivatives		764,542	1,171,407	620,724	–	2,556,673

CONSOLIDATED 30 JUNE 2021 (RESTATED*)	WEIGHTED AVERAGE INTEREST RATE %	1 YEAR OR LESS $'000	BETWEEN 1 AND 2 YEARS $'000	BETWEEN 2 AND 5 YEARS $'000	OVER 5 YEARS $'000	REMAINING CONTRACTUAL MATURITIES $'000
Non-interest-bearing						
Trade and other payables		57,857	–	–	–	57,857
Deferred contingent consideration		6,990	–	–	–	6,990
Lease liabilities		3,746	2,619	–	–	6,365
Interest-bearing						
Borrowings						
– floating-rate Borrowings	3.56%	623,678	380,000	629,304	–	1,632,982
– fixed rate Borrowings	8.85%	260	33,484	–	–	33,744
Total non-derivatives		692,531	416,103	629,304	–	1,737,938

* The comparative information is restated. Please refer to Note 28.

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

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

Notes to the Financial Statements Cont.

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.

	FAIR VALUE HIERARCHY AT 30 JUNE 2022			
	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3[1] $'000	TOTAL $'000
Financial assets				
Cash and cash equivalents	241,326	–	–	241,326
Restricted cash	58,369	–	–	58,369
Other receivables	–	61,830	–	61,830
Term deposit	–	3,864	–	3,864
Customer receivables	–	2,508,124	–	2,508,124
Total	299,695	2,573,818	–	2,873,513
Financial liabilities				
Trade and other payables	–	140,547	–	140,547
Deferred contingent consideration	–	26,184	–	26,184
Leasing liabilities	–	4,039	–	4,039
Borrowings	–	2,380,909	–	2,380,909
Financial liabilities – convertible notes Net debt host	–	378,937	–	378,937
Financial liabilities – convertible notes embedded derivative	–	–	1,851	1,851
Financial liabilities – warrants	–	–	128	128
Total	–	2,930,616	1,979	2,932,595

1. Refer to price risk analysis in this note for the valuation method of financial liabilities – convertible notes embedded derivative and financial liability-warrants which are classified as level 3.

	FAIR VALUE HIERARCHY AT 30 JUNE 2021 (RESTATED*)			
	LEVEL 1 $'000	**LEVEL 2 $'000**	**LEVEL 3 $'000**	**TOTAL $'000**
Financial assets				
Cash and cash equivalents	289,212	–	–	289,212
Restricted cash	40,989	–	–	40,989
Other receivables	–	18,836	–	18,836
Term deposit	–	1,507	–	1,507
Customer receivables (RESTATED*)	–	1,955,947	–	1,955,947
Investment	–	19,034	–	19,034
Total	330,201	1,995,324	–	2,325,525
Financial liabilities				
Trade and other payables (RESTATED*)	–	57,857	–	57,857
Deferred contingent consideration	–	6,990	–	6,990
Leasing liabilities	–	6,296	–	6,296
Borrowings	–	1,659,233	–	1,659,233
Financial liabilities – convertible notes Net debt host	–	349,008	–	349,008
Financial liabilities – convertible notes embedded derivative	–	–	60,643	60,643
Financial liabilities – warrants	–	–	60,314	60,314
Total	–	2,079,384	120,957	2,200,341

* The comparative information is restated. Please refer to Note 28.

NOTE 21. CONTINGENCIES

On 24 June 2019, Zip announced to the ASX that Firstmac Limited had commenced proceedings in the Federal Court against Zip Co Limited and zipMoney Payments Pty Ltd alleging infringement of Firstmac's "ZIP" trademark, which is registered in respect of financial affairs (loans). Zip continues to vigorously defend the proceedings and has brought a cross-claim seeking cancellation of Firstmac's "ZIP" trademark. However, as the proceedings are ongoing at the date of this report, there remains the possibility of a liability being incurred contingent on the outcome of the proceedings.

There were no other contingent liabilities or contingent assets as at 30 June 2022 and as at 30 June 2021.

Notes to the Financial Statements Cont.

NOTE 22. KEY MANAGEMENT PERSONNEL DISCLOSURES

DIRECTORS

The following persons were Directors of Zip Co Limited (Zip or the Company) during the financial year ended 30 June 2022:

- Diane Smith-Gander AO
- Larry Diamond
- Peter Gray
- John Batistich
- Pippa Downes (Resigned on 22 June 2022)

OTHER KMP

- Martin Brooke

COMPENSATION

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

	30 JUNE 2022 $'000	30 JUNE 2021 $'000
Short-term employee benefits	2,003	1,875
Post-employment benefits	127	112
Long-term benefits	13	37
Share-based payments	766	1,099
	2,909	3,123

NOTE 23. RELATED PARTY TRANSACTIONS

PARENT ENTITY

Zip Co Limited is the parent entity.

SUBSIDIARIES

Interests in subsidiaries are set out in Note 26.

KEY MANAGEMENT PERSONNEL

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

TRANSACTIONS WITH RELATED PARTIES

Other than reported in Note 22, 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 due from, or trade payables due to, related parties at the current and previous reporting date.

LOANS TO/FROM RELATED PARTIES

During the financial year ended 30 June 2022, the consolidated entity provided loans to its associate Tendo for working capital and loan funding purposes. The principal loan amount outstanding at 30 June 2022 was $3.8 million, with accrued interest of $0.5 million based on interest rate of 18% per annum.

During the financial year ended 30 June 2021, the consolidated entity provided several shareholder loans to its associate Payflex for working capital and loan funding purposes. The loans amount outstanding at 30 June 2021 was $1.6 million which bear nil interest and has been transferred into an intercompany loan upon acquisition of Payflex in January 2022.

There were no other loans to/from related parties at 30 June 2022 and at 30 June 2021.

NOTE 24. REMUNERATION OF AUDITORS

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

983	30 JUNE 2022 $'000	30 JUNE 2021 $'000
Deloitte		
Audit and review of the financial statements		
– *Group*	1,526	699
– *Controlled entities*	983	–
Other Assurance services	667	–
Consulting services	217	127
Total	3,393	826
Other Auditors		
Audit and review of the financial statements	96	128
Consulting services	–	26
Total	96	154

NOTE 25. PARENT ENTITY INFORMATION

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

INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

TAX CONSOLIDATION

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

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

Notes to the Financial Statements Cont.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	PARENT	
	30 JUNE 2022 $000	30 JUNE 2021 $000
Loss after income tax	(747,728)	(109,119)
Total comprehensive loss	(747,728)	(109,119)

STATEMENT OF FINANCIAL POSITION

	PARENT	
	30 JUNE 2022 $000	30 JUNE 2021 $000
Total current assets	72,730	154,108
Total non-current assets[1]	1,710,161	2,090,675
Total assets	**1,782,891**	**2,244,783**
Total current liabilities	(406,047)	(472,483)
Total liabilities	**(406,047)**	**(472,483)**
Net assets	**1,376,844**	**1,772,300**
Issued capital[1]	2,041,496	1,688,785
Reserves	105,645	106,084
Convertible notes – equity	114,466	114,466
Accumulated losses	(884,763)	(137,035)
Total equity	**1,376,844**	**1,772,300**

1. The comparative information has been adjusted to comply with the changes in presentation in the current period.

GUARANTEES ENTERED INTO BY THE PARENT ENTITY IN RELATION TO THE DEBTS OF ITS SUBSIDIARIES

During the financial year ended 30 June 2021 and financial year 30 June 2022, the parent entity and certain subsidiaries had a deed of cross guarantee in place under which each company guarantees the debts of the others.

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

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

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

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

The parent entity has provided a corporate guarantee to secure the funding facility of the zipMoney 2017-2 Trust as at 30 June 2022 and 30 June 2021.

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

	30 JUNE 2022 $000	30 JUNE 2021 RESTATED* $000
Assets		
Cash and cash equivalents	157,722	200,445
Restricted cash	12,834	27,928
Other receivables	49,173	6,336
Customer receivables	2,191,318	1,712,883
Property, plant and equipment	3,062	2,952
Right-of-use assets	2,960	5,242
Intangible assets	20,867	13,715
Investments[1]	1,230,703	1,639,246
Total Assets	3,668,639	3,608,747
Liabilities		
Trade and other payables	(52,610)	(27,672)
Employee provisions	(5,970)	(4,574)
Lease liabilities	(3,207)	(5,622)
Borrowings	(2,128,303)	(1,480,784)
Financial liabilities – convertible notes and warrants	(380,916)	(469,966)
Total Liabilities	(2,571,006)	(1,988,618)
Net Assets	1,097,633	1,620,129
Equity		
Issued capital[1]	2,041,496	1,688,785
Reserves	105,167	106,139
Convertible notes – equity	114,466	114,466
Accumulated losses	(1,163,496)	(289,261)
Total Equity	1,097,633	1,620,129

* The comparative information is restated. Please refer to Note 28.

1. The comparative information has been adjusted to comply with the changes in presentation in the current period.

Notes to the Financial Statements Cont.

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

	30 JUNE 2022 $'000	30 JUNE 2021 RESTATED* $'000
Portfolio interest income	275,224	197,213
Transactional income	18,244	11,349
Revenue	293,468	208,562
Other income	180	231
Bad debts and expected credit losses	(124,087)	(68,084)
Bank fees and data costs	(22,667)	(19,757)
Interest expense	(55,493)	(48,100)
Salaries and employee benefits expenses	(83,740)	(54,599)
Marketing expenses	(20,829)	(24,851)
Information technology expenses	(22,128)	(14,187)
Depreciation and amortisation expenses	(19,208)	(14,880)
Share-based payments	(8,654)	(15,306)
Corporate financing costs	(30,669)	(10,552)
Other operating costs	(33,098)	(22,326)
Impairment of investments	(866,282)	–
Fair Value gain (loss) on financial instruments	119,310	(82,049)
Loss Before Income Tax	(873,897)	(165,898)
Income tax expense	(338)	–
Loss After Income Tax	(874,235)	(165,898)
Other Comprehensive Income, Net of Tax	–	–
Total Comprehensive Loss	(874,235)	(165,898)

* The comparative information is restated. Please refer to Note 28.

CONTINGENCIES

Other than reported in Note 21, the parent entity had no contingencies as at 30 June 2022 and 30 June 2021.

CAPITAL COMMITMENTS — PROPERTY, PLANT AND EQUIPMENT

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

NOTE 26. 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 2022 %	OWNERSHIP INTEREST 30 JUNE 2021 %
Legal parent			
Zip Co Limited[1]	Australia		
Legal subsidiaries			
zipMoney Payments Pty Ltd[1]	Australia	100%	100%
zipMoney Trust 2017-1[2]	Australia	100%	100%
zipMoney Trust 2017-2[2]	Australia	100%	100%
Zip Master Trust[2]	Australia	100%	100%
zipMoney Holdings Pty Ltd[1]	Australia	100%	100%
zipMoney Securities Ltd	Australia	100%	100%
Pocketbook Holdings Pty Ltd	Australia	100%	100%
Pocketbook Australia Pty Ltd	Australia	100%	100%
Pocketbook Technologies Pty Ltd	Australia	100%	100%
Zip Domestic Holdings Pty Limited	Australia	100%	100%
Zip International Holdings Pty Limited	Australia	100%	100%
Zip International India Pty Ltd	Australia	100%	–
Zip Business Australia Pty Ltd	Australia	100%	100%
Funding Box 3	Australia	100%	100%
ZipBiz Trust 2020-1[2]	Australia	100%	100%
Zip Business Trust 2022-1[2]	Australia	100%	–
Urge Holdings Pty Ltd	Australia	100%	100%
Urge Technologies Pty Ltd	Australia	100%	100%
Schnap Pty Ltd	Australia	100%	100%
zipMoney Payments (NZ) Limited	New Zealand	100%	100%
Zip Business New Zealand Pty Ltd (formerly Spotcap New Zealand Ltd)	New Zealand	100%	100%
Funding Box NZ Limited	New Zealand	100%	100%
Zip Co NZ Limited	New Zealand	100%	100%
Zip Co NZ Finance Limited	New Zealand	100%	100%
Zip NZ Trust 2021-1	New Zealand	100%	–

Notes to the Financial Statements Cont.

NAME	PRINCIPAL PLACE OF BUSINESS/ COUNTRY OF INCORPORATION	OWNERSHIP INTEREST 30 JUNE 2022 %	OWNERSHIP INTEREST 30 JUNE 2021 %
Zip Co Payments UK Limited	United Kingdom	100%	100%
Zip Co Finance UK Limited	United Kingdom	100%	100%
Zip UK Holdings LTD	United Kingdom	100%	100%
QuadPay Inc.	United States of America	100%	100%
QuadPay AR1 LLC	United States of America	100%	100%
AR2 Holdco LLC	United States of America	100%	100%
AR2 LLC	United States of America	100%	100%
QuadPay Canada Holdings Inc	United States of America	100%	100%
QuadPay ULC	Canada	100%	100%
Zip Co Payments Mexico. S.A.de C.V.	Mexico	100%	100%
Zip Global Consulting Pte Ltd	Singapore	100%	100%
Spotii Holdings Ltd	United Arab Emirates	100%	–
Spotii DMMC	United Arab Emirates	100%	–
Spotii Arabia for Information Technology (KSA)	Kingdom of Saudi Arabia	100%	–
Spotii Pakistan (SMC-Private) Limited	Pakistan	100%	–
Payflex Proprietary Limited	South Africa	100%	–
Twisto Payments a.s..	Czech Republic	100%	–
Nikita Engine s.r.o.	Czech Republic	100%	–
Twisto FinCo s.r.o.	Czech Republic	100%	–
Twisto Polska Sp z.o.o.	Poland	100%	–
Twisto Finco PL Sp. z.o.o.	Poland	100%	–
Hemenal Finansman A.Ş.	Turkey	60%	–
QuadPay Inc.	United States of America	100%	100%
QuadPay AR1 LLC	United States of America	100%	100%
AR2 Holdco LLC	United States of America	100%	100%
AR2 LLC	United States of America	100%	100%
QuadPay Canada Holdings Inc	United States of America	100%	100%
QuadPay ULC	Canada	100%	100%
Zip Co Payments Mexico. S.A.de C.V.	Mexico	100%	100%

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

NOTE 27. SHARE-BASED PAYMENTS

MOVEMENTS IN SHARE-BASED PAYMENTS RESERVE

DETAILS	30 JUNE 2022 $'000	30 JUNE 2021 $'000
Opening balance	116,515	19,700
Recognised for the year		
– At Risk Short-Term Incentive	18,484	130,735
– At Risk Long-Term Incentive	1,647	2,463
– Fixed Long-Term Equity	13,180	3,884
– Amazon warrants	(2,931)	1,758
– Recognition of replacement options issued to QuadPay at acquisition	–	85,292
– Recognition of replacement options issued to QuadPay after acquisition	557	4,003
– Issue of shares to business acquisition	2,156	–
– Issue of shares to IT development and software purchases	264	–
Total recognised for the year	33,357	228,135
Exercised for the year		
– Transfer of share-based payments	(41,544)	(123,267)
– Issue of shares to Zip Employee Share Trust	(22,853)	(8,053)
Total exercised for the year	(64,397)	(131,320)
Closing balance	85,475	116,515

EMPLOYEE SHORT-TERM INCENTIVE PLAN

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

Shares have been issued under the Employee Short-Term Incentive Plan as follows:

- 4,953,510 ordinary shares issued in financial year 2022 with a weighted average share price of $5.83.
- 11,636,639 ordinary shares issued in financial year 2021 with a weighted average share price of $5.56.

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

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

EMPLOYEE LONG-TERM INCENTIVE PLAN

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

LTI:

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

- 374,756 LTIs issued in financial year 2022 to management; and
- 1,872,202 LTIs issued in financial year 2021 to management.

Notes to the Financial Statements Cont.

Details of LTIs outstanding during the year are as follows:

	WEIGHTED AVERAGE FAIR VALUE ($)	NUMBER OF LTE ISSUED
Balance at the 30 June 2020		3,109,159
Granted during the year	3.48	1,872,202
Lapsed during the year	0.31	(350,000)
Balance at the 30 June 2021		4,631,361
Granted during the year	2.99	374,756
Lapsed during the year	4.99	(1,094,418)
Balance at 30 June 2022		3,911,699

The LTIs have a nil exercise price and vest on the achievement of Total Shareholder Return or Transaction Volume hurdles and time-based hurdles over the period from the date of grant to the assessment dates. The assessment dates are up to 3, 4, and 5 years from the date of grant.

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

LTE:

LTEs issued provide Zip with the best opportunity to attract and retain senior leaders and high-quality talent. LTEs were issued with equal vesting over 4 years (25% per year). LTE is not subject to any performance hurdles and only requires the employees to remain employed for the rights to vest.

Details of LTEs outstanding during the year are as follows:

	WEIGHTED AVERAGE FAIR VALUE ($)	NUMBER OF LTE ISSUED
Balance at the 30 June 2020		–
Granted during the year	7.82	2,193,067
Lapsed during the year	8.43	(41,609)
Vested during the year	7.28	(5,800)
Balance at the 30 June 2021		2,145,658
Granted during the year	5.46	5,837,586
Lapsed during the year	6.58	(1,907,352)
Vested during the year	7.16	(795,345)
Balance at 30 June 2022		5,280,547

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

SHARE OPTIONS

SHARE OPTIONS ISSUED ON ACQUISITION OF QUADPAY

The options issued during the financial year 2021 were the replacement awards issued to employees and other option holders of QuadPay on the acquisition of QuadPay. The outstanding share options in QuadPay were replaced by options in Zip at 31 August 2020 on the acquisition of QuadPay. There were 10,480,369 replacement options issued to employees and non-employees. No amounts were paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

Each option expires on the earlier of:

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

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

	WEIGHTED AVERAGE EXERCISE PRICE ($)	NUMBER OF OPTIONS
Balance at the 30 June 2020		–
Granted during the year	0.20	10,480,369
Exercised during the year	0.17	(6,617,823)
Balance at the 30 June 2021		3,862,546
Exercised during the year	0.27	(2,177,352)
Forfeited during the year	0.48	(713,484)
Expired during the year	0.27	(11,448)
Balance at 30 June 2022		960,262

Replacement options were valued at $85.3 million at 31 August 2020 by using a Black Scholes pricing model, with the key inputs being the grant dates share price of $9.16, weighted average exercised price of $0.20, expected volatility of 50%, expected life of 8 to 10 years, risk free rate of 0.07%, and expected dividend yield of nil. In determining the expected prospective volatility, an observed 4 year historical volatility of share prices was considered, based on the share prices of a range of comparable companies in the industry which Zip operates, as well as that of Zip.

For options exercised during the financial year ended 30 June 2022, the weighted average Zip share price at the dates of exercise was $3.40.

WESTPAC OPTIONS

At 30 June 2022, the Company had 5,880,000 outstanding options held by Westpac Banking Corporation that vest based on the achievement of certain revenue hurdles. 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. In the event a hurdle is achieved, the associated options vest, and lapse 12 months after vesting. As at 30 June 2022, none of the revenue hurdles had been met and no options have vested. Options relating to any hurdle not achieved by 10 August 2022 automatically lapse. The 5,880,000 options lapsed on this basis and were cancelled on 8 September 2022.

Notes to the Financial Statements Cont.

AMAZON WARRANTS

During the financial year ended 30 June 2022, a credit adjustment of $2.9 million was made to the share-based payment expense in relation to the Amazon warrants (FY21: expense of $1.7 million). Refer to Note 18 for details.

NOTE 28. PRIOR PERIOD ADJUSTMENTS

During 2022, the consolidated entity determined that the consolidated financial statements for the financial year 2021 contained certain misstatements which require restatement.

The restated financial statements are indicated as "Restated" in the financial statements and accompanying notes, as applicable. Where relevant, the reported values have been updated and changes have been detailed in footnotes throughout the financial statements and the accompanying notes.

A. BALANCE SHEET AND INCOME STATEMENT RESTATEMENTS

As part of the ongoing improvement in the receivables and payables reconciliation processes for Zip's US operations (QuadPay was acquired in August 2020), the following adjustments were identified. All of the identified matters relate to June 2021 positions in relation to the Zip US (formerly QuadPay) balances, from the business acquired in August 2020. Therefore, there was no impact on the historical information and positions previously reported at 30 June 2020.

a. A reduction in customer receivables of $4.4 million and a reduction in trade and other payables of $1.3 million, with a corresponding decrease in revenue of $3.1 million, in relation to the improvement in the effective interest income calculation process for customer receivables.

b. A reduction in customer receivables of $7.6 million with a corresponding increase in the bad debts and expected credit loss expense of $7.6 million, in relation to the incorrect accounting for customer disputes.

c. An increase in trade and other payables of $6.1 million with a corresponding increase in other operating expense of $6.1 million, and an increase in marketing expenses of $2.5 million with a corresponding decrease in other receivables of $2.5 million, due to adjustments to operating costs.

d. A reduction in customer receivables of $8.0 million with a corresponding reduction to trade and other payables of $8.0 million due to a balance sheet posting error. The adjustment has no impact on Loss Before Income Tax.

e. A reduction in customer receivables of $12.0 million with a corresponding reduction to trade and other payables of $12.0 million due to the elimination of pre-approved customer loan authorisation amounts. The adjustment has no impact on Loss Before Income Tax.

B. CASH FLOW RESTATEMENTS

Within the consolidated statement of cash flows, "Net increase in receivables" ($930.0 million) and "Borrowing transaction costs" ($2.1 million) have been reclassified from "Net Cash Flow from Investing Activities" and "Net Cash Flow from Financing Activities" respectively into "Net Cash Flow to Operating Activities".

In accordance with AASB 107 *Statement of Cash Flows*, this change in presentation was considered appropriate given the cash flows were primarily derived from the consolidated entity's principal revenue-generating activities.

This resulted in a change in net cash flow from operations of $44.2 million to net cash flow to operations of $887.9 million.

C. RECLASSIFICATIONS

Zip also made certain reclassifications of account balances across its consolidated balance sheet and consolidated income statement as management believe that the revised presentation provides more relevant information to the users of its financial statements and is aligned with common industry practice. Principal changes included:

- In accordance with AASB 101 *Presentation of Financial Statements*, the presentation of the consolidated Statement of Profit or Loss and Other Comprehensive Income was changed in respect of:
  - Revenue: to present separately interest revenue calculated using the effective interest method from transactional income.
  - Expenses: to present expenses groupings “by nature”.
- The presentation of the consolidated balance sheet was changed in respect of:
  - Offset “Deferred tax assets” and “Deferred tax liabilities” in accordance with AASB 112 *Income Taxes*.
  - Further disaggregation of “Cash and cash equivalents” into “Cash and cash equivalents” and “Restricted Cash”.

The following tables represent the consolidated entity’s restated consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the year ended 30 June 2021, as well as restated consolidated statement of financial position at 30 June 2021.

The values as previously reported for the financial year 2021 were derived from the consolidated entity’s Annual Report dated 29 September 2021.

Notes to the Financial Statements Cont.

(1) Statement of Profit or Loss and Other Comprehensive Income[1]

FOR THE YEAR ENDED 30 JUNE 2021	PREVIOUSLY REPORTED $'000	RECLASSIFI – CATIONS $'000	RESTATE- MENTS $'000	CURRENTLY REPORTED $'000	FOOTNOTE
Operating Income	397,068	(397,068)	–	–	2
Portfolio interest income	347,394	(6,940)	(3,149)	337,305	a,2
Transactional income	49,674	6,940	–	56,614	2
Revenue	397,068	–	(3,149)	393,919	a
Interest Expense	–	(63,780)	–	(63,780)	3
Amortisation of Funding	(5,129)	5,129	–	–	3
Interest Expense	(58,651)	58,651	–	–	3
Bad debts and expected credit losses	(123,881)	–	(7,641)	(131,522)	b
Bank fees and data costs	(71,511)	–	–	(71,511)	
Other Income	451	–	–	451	
Other operating expenses	–	(39,404)	(6,060)	(45,464)	c,4
Administration expenses	(27,047)	27,047	–	–	4
Occupancy expenses	(2,419)	2,419	–	–	4
Acquisition of business costs	(9,938)	9,938	–	–	4
Depreciation and amortisation expenses	–	(91,768)	–	(91,768)	5
Depreciation expense	(5,772)	5,772	–	–	5
Amortisation of intangibles	(85,996)	85,996	–	–	5
Salaries and employee benefits expenses	(97,692)	–	–	(97,692)	
Information technology expenses	(24,027)	–	–	(24,027)	
Marketing expenses	(71,230)	–	(2,524)	(73,754)	c
Share-based payments	(142,843)	–	–	(142,843)	
Corporate financing costs	(10,796)	–	–	(10,796)	
Share of loss of associates	(753)	–	–	(753)	
Fair value (loss) gain on financial instruments	(77,613)	–	–	(77,613)	
Net adjustment relating to the acquisition of QuadPay	(306,235)	–	–	(306,235)	
Loss before Income Tax	(724,014)	–	(19,374)	(743,388)	
Income tax benefit	65,240	–	–	65,240	
Loss after Income Tax	(658,774)	–	(19,374)	(678,148)	
Basis loss per share (cents)	(128.16)	–	(3.77)	(131.93)	
Diluted loss per share (cents)	(128.16)	–	(3.77)	(131.93)	

1. In accordance with AASB 101, the presentation of the consolidated Statement of Profit or Loss and Other Comprehensive Income changed in respect of:
   - Revenue: presenting separately interest revenue calculated using the effective interest method.
   - Expenses: presenting expenses groupings "by nature".
   - Removed cost of sales and gross profit sub-totals.
2. Presented "Portfolio interest income" and "Transaction income" separately. Reclassification of Establishment fees from "Portfolio interest income" to "Transactional income".
3. Combined "Amortisation of funding" with "Interest expense" into "Interest expense".
4. Combined into one line item "Other operating expenses".
5. Combined "Depreciation expense" and "Amortisation of intangibles" into one line item "Depreciation and amortisation expenses".

a,b,c. Refer to section A for correction of misstatements.

(2) Statement of Financial Position

FOR THE YEAR ENDED 30 JUNE 2021	PREVIOUSLY REPORTED $'000	RECLASSIFI – CATIONS $'000	RESTATE – MENTS $'000	CURRENTLY REPORTED $'000	FOOTNOTE
Cash and cash equivalents	330,201	(40,989)	–	289,212	1
Restricted cash	–	40,989	–	40,989	1
Other receivables	32,719	–	(2,524)	30,195	c
Customer receivables	1,988,036	–	(32,089)	1,955,947	a,b,d,e
Deferred tax assets	10,312	(10,312)	–	–	2
Total Assets	3,374,738	(10,312)	(34,613)	3,329,813	
Trade and other payables	73,096	–	(15,239)	57,857	a,c,d,e
Deferred tax liabilities	10,312	(10,312)	–	–	2
Total Liabilities	2,231,926	(10,312)	(15,239)	2,206,375	
Net Assets	1,142,812	–	(19,374)	1,123,438	
Accumulated losses	(747,146)	–	(19,374)	(766,520)	a,b,c
Total Equity	1,142,812	–	(19,374)	1,123,438	

1. Presented "Cash and cash equivalents" separately as "Cash and cash equivalents" and "Restricted Cash".
2. Offset "Deferred tax assets" and "Deferred tax liabilities" relating to the same tax jurisdictions in accordance with ASB 112.
a,b,c,d,e. Refer to section A in this note for correction of misstatements.

(3) Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2021	PREVIOUSLY REPORTED $'000	RESTATE – MENTS $'000	AS RESTATED $'000	FOOTNOTE
Loss for the period	(658,774)	(19,374)	(678,148)	a,b,c
Total Comprehensive loss	(678,065)	(19,374)	(697,439)	a,b,c
Accumulated losses	(747,146)	(19,374)	(766,520)	a,b,c
Total Equity	1,142,812	(19,374)	1,123,438	a,b,c

a,b,c. Refer to section A in this note for correction of misstatements.

(4) Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2021	PREVIOUSLY REPORTED $'000	RESTATE – MENTS $'000	AS RESTATED $'000	FOOTNOTE
Net increase in receivables	–	(930,054)	(930,054)	1
Borrowing transaction costs	–	(2,084)	(2,084)	2
Net Cash Flow to Operating Activities	44,223	(932,138)	(887,915)	
Net increase in receivables	(930,054)	930,054	–	1
Net Cash Flow to Investing Activities	(938,300)	930,054	(8,246)	
Borrowing transaction costs	(2,084)	2,084	–	2
Net Cash Flow from Financing Activities	1,190,970	2,084	1,193,054	

Notes to the Financial Statements Cont.

FOR THE YEAR ENDED 30 JUNE 2021	PREVIOUSLY REPORTED $'000	RESTATE – MENTS $'000	AS RESTATED $'000	FOOTNOTE
Net increase in cash, cash equivalents, and restricted cash	296,893	–	296,893	

1. "Net increase in receivables" previously presented as "Net Cash Flow from Investing Activities" now presented as "Net Cash Flow to Operating Activities".
2. "Borrowing transaction costs" previously presented as "Net Cash Flow from Financing Activities" now presented as "Net Cash Flow to Operating Activities".

NOTE 29. SUBSEQUENT EVENTS

Subsequent to 30 June 2022, in light of current macroeconomic and market conditions, Zip and Sezzle Inc. have mutually agreed to terminate their previously announced merger agreement for the proposed acquisition of Sezzle by Zip.

Subsequent to 30 June 2022, an arbitration was entered into with respect to a legal dispute associated with an alleged breach of contract. The directors consider the most likely outcome at this time is that there is no material present obligation arising from a past event.

Following the decision to discontinue the Trade and Trade Plus products, the $13.5 million drawn under the funding facility in place to provide funding to support these products was fully repaid in July 2022.

Subsequent to 30 June 2022, Zip made the decision to close its operations in Singapore and the UK, in line with initiatives to reduce the Group's cash burn following Zip's strategic review of its global operations.

On 26 August 2022, Zip waived the conditional right to increase its shareholding in relation to its investment in its associate ZestMoney.

On 1 September 2022, Zip cancelled $40.0 million of $100.0 million Interest Bearing Convertible Notes that were issued in September 2020 to CVI Investments, Inc., an affiliate of Heights Capital Management, which is an affiliate of the US-based Susquehanna International Group ("SIG"). Under the terms of the Convertible Notes, SIG elected to redeem $40.0 million convertible notes, with the repayment by Zip of $42,987,857 which included accrued interest of $2,987,857. Following the redemption, 600 Convertible Notes remain outstanding and held by CVI Investments, Inc.

To the date of the release of this report, there have been no other material items, transactions or events subsequent to 30 June 2022 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 2022 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 25 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 & Global Chief Executive Officer

28 September 2022

Independent Auditor's Report to the Members

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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 2022, 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:

- giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Key Audit Matters

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

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Key Audit Matters	How the scope of our audit responded to the Key Audit Matters
Impairment of Non-Financial Assets The Group's recognised goodwill and other intangible assets were assessed by management for impairment. Goodwill acquired in a business combination was allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the synergies of the combination and represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill and intangible asset impairment is a significant area of judgement and the impairment models are dependent upon the key assumptions. During the annual impairment assessment process, management reviewed and revised its strategic priorities to increase focus on sustainable growth and profitability in core markets. Consequently, reducing capital available and growth rates across some CGU's and as a result the recoverable amount of some CGUs was significantly less than their carrying amount. As disclosed in Note 13 and Note 14, the consolidated entity has impaired the carrying amount of goodwill by $768.4m and other intangible assets by $52.7m.	Our procedures included, but were not limited to: • Obtaining an understanding of any changes to the internal and external impairment indicators (such as the impact of macro-economic factors on cash flow forecasts, revisions to strategic direction and changes in market capitalisation); • Making inquiries with management and considering the external market evidence on the impairment assessment; • Assessing management's position paper to identify the CGU to which goodwill has been allocated and ensured that CGU is not allocated at a higher level than its operating segment; • Evaluating consistency of management's projections, historical track record and external market evidence; • Assessing the reasonableness of key assumptions used in the model prepared by management such as the Board's revised strategic direction, forecast total transaction volumes, terminal growth rates and discount rates; • In conjunction with our valuation specialists, assessing the model methodology and mathematical accuracy, the reasonableness of management assumptions used and considered the appropriateness of the impairment charges recognised; and • Assessing the adequacy of the disclosures in Note 1 F., Note 1 L. Note 1 M., Note 13 and Note 14 to the financial statements.

Independent Auditor's Report to the Members Cont.

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Key Audit Matters	How the scope of our audit responded to the Key Audit Matters
Expected credit loss provisioning As at 30 June 2022, the carrying value of Customer Receivables recorded was $2,508m, which includes a provision for expected credit loss (ECL) of $160.2m as disclosed in Note 11. Models to measure the 'expected credit losses' involve significant judgements and assumptions made by management.	Our procedures included, but were not limited to: • Obtaining an understanding of the methodology and credit judgments made by management in the ECL models; • Understanding the key controls relating to the customer loan approval processes and identification of overdue amounts; • Agreeing a sample of data used as inputs into the ECL models to relevant source documentation and historical loan portfolio performance records; • Testing the data inputs used in calculating the probability of default roll rates to assess reasonableness; • Assessing the reasonableness of management's key assumptions and recent historical recovery data used in determining loss given default and lifetime expected loss; • Assessing the provisioning methodology with reference to relevant accounting standards and market practices; • Assessing the mathematical accuracy of the model calculations; Challenging management's judgements in respect to the macroeconomic factors and judgemental overlays in response to the current macroeconomic environment; and • Assessing the adequacy of the disclosures in Note 1 F., Note 11 and 20 to the financial statements.

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Key Audit Matters	How the scope of our audit responded to the Key Audit Matters
Acquisition accounting The Group completed three acquisitions during the current financial year which were accounted for in accordance with AASB 3 *Business Combinations*. Total purchase consideration was $172.8m. Management engaged an external valuation expert to complete the purchase price allocation of the material assets acquired and liabilities assumed on acquisition. For the fair value of assets and liabilities recognised on acquisition, significant estimation was used, particularly in respect of the valuation of acquired intangible assets, such as brands, technology and exclusive contracts. The residual balance of $152.1m was allocated to goodwill, as disclosed in Note 6 and Note 14.	Our procedures included, but were not limited to: • Assessing management's key assumptions in determining the appropriate business combination treatment and the acquisition date of control in accordance with the relevant accounting standards; • Assessing management's recognition and measurement criteria in recording the purchase price, the fair value of identified assets and liabilities as part of the acquisition, and the residual allocation of goodwill; • Reviewing management's position paper in assessing the acquisition date and goodwill allocation; • Inspecting the acquisition date balances of cash, loans, borrowings and other material balance sheet items of acquired entities back to signed agreements and bank statements; • Evaluating the external valuation reports used by management in relation to the fair values of acquired assets and liabilities of acquired entities; • Assessing the competence and capabilities of management's valuation expert; • In conjunction with our valuation specialists, assessing management's final fair value adjustments to identified and acquired intangible assets, especially the reasonableness of forecasts, growth rates and discount rates used; • Assessing the appropriateness of any acquisition fair value adjustments; • Evaluating the reasonableness that the fair value determined by management was appropriate; • Assessing alignment of acquired entities and the Group's accounting policies; and • Assessing the adequacy of the disclosures in Note 1 F., Note 1 J, Note 6, Note 13 and Note 14 to the financial statements.

Independent Auditor's Report to the Members Cont.

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Key Audit Matters	How the scope of our audit responded to the Key Audit Matters
Effective interest rate Portfolio interest income revenue recognition is calculated using the effective interest rate ('EIR') method under AASB 9 *Financial Instruments* ('AASB 9'). When calculating the effective interest rate, the Group estimates the expected cash flows by considering all the contractual terms of the loan receivables excluding the expected credit losses. As at 30 June 2022, Portfolio Income of $522.1m was reported in the financial statements. Portfolio Income contains merchant fees, monthly fees and interest as disclosed in Note 1 I. The effective interest rate method is based on management's revenue recognition mode, which contains a number of key estimates and assumptions.	Our procedures included, but were not limited to: • Obtaining an understanding of revenue streams, products and offerings; • Assessing the accounting policies adopted by management in respect of revenue and assessing they are in accordance with the relevant accounting standards; • Assessing the relevant internal controls over the capture, measurement and reporting 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 transactions to underlying signed loan, merchant agreements and bank statements; • Assessing the appropriateness of any unearned future income adjustments made by management in accordance with the relevant accounting standards; • Recalculating the principal components of portfolio income under the effective interest rate method; and • Assessing the adequacy of the disclosures in Note 1 I. and 1 Q. to the financial statements.
IT systems The accuracy and integrity of the Group's financial reporting process is reliant on automated processes, controls and data managed by IT systems.	Our procedures included, but were not limited to: • Determining, through discussions with management, the IT systems that were integral to the lending and financial reporting processes and inclusion of the relevant systems in the scope of our audit; • Understanding the relevant controls; and • Assessing the design, implementation and operating effectiveness of any controls that mitigated identified risks. • In respect of IT identified control matters, we performed extended substantive procedures (as required).

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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 2022, 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.

- 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

Independent Auditor's Report to the Members Cont.

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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, actions taken to eliminate threats or safeguards applied.

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 58 to 91 of the Directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Zip Co Limited for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Deloitte. Touche. Tohmatsu.

DELOITTE TOUCHE TOHMATSU

Mark Lumsden
Partner
Chartered Accountants
Sydney, 28 September 2022

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Shareholder Information

The shareholder information set out below was applicable as at 2 September 2022.

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 UNLISTED WARRANTS EXP 06.11.2026
1 to 1,000	78,332	–
1,001 to 5,000	28,355	–
5,001 to 10,000	6,926	–
10,001 to 100,000	7,044	–
100,001 and over	434	1
Total	121,091	1
Holding less than a marketable parcel	61,911	–

RANGE	NUMBER OF HOLDERS OF UNLISTED WARRANTS EXP 01.09.2023	CONVERTIBLE NOTES	NUMBER OF HOLDERS OF UNQUOTED OPTIONS VESTING 10.08.2022
1 to 1,000	–	1	–
100,001 and over	1	–	1
Total	1	1	1
Holding less than a marketable parcel	–	–	–

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	–	–	–

Shareholder Information Cont.

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	1	3	3
Total	1	3	3
Holding less than a marketable parcel	–	–	–

RANGE	NUMBER OF HOLDERS OF UNQUOTED PERFORMANCE RIGHTS, VESTING 15.09.2023	NUMBER OF HOLDERS OF UNQUOTED PERFORMANCE RIGHTS, VESTING 15.09.2024	NUMBER OF HOLDERS OF UNQUOTED PERFORMANCE RIGHTS, VESTING RANGE 15.09.2025
10,001 to 100,000	4	4	4
Total	4	4	4
Holding less than a marketable parcel	–	–	–

RANGE	NUMBER OF HOLDERS OF UNQUOTED PERFORMANCE RIGHTS, VESTING 15.09.2022	NUMBER OF HOLDERS OF UNQUOTED PERFORMANCE RIGHTS, VESTING 15.09.2023	NUMBER OF HOLDERS OF UNQUOTED PERFORMANCE RIGHTS, VESTING 15.09.2024
10,001 to 100,000	3	1	1
Total	3	1	1
Holding less than a marketable parcel	–	–	–

RANGE	NUMBER OF HOLDERS OF UNQUOTED PERFORMANCE RIGHTS, VESTING 14.09.2023	NUMBER OF HOLDERS OF UNQUOTED PERFORMANCE RIGHTS, VESTING 07.06.2023	NUMBER OF HOLDERS OF UNQUOTED PERFORMANCE RIGHTS, VESTING 07.06.2024
10,001 to 100,000	2	–	–
100,001 and over	–	1	1
Total	2	1	1
Holding less than a marketable parcel	–	–	–

	NUMBER OF HOLDERS OF UNQUOTED PERFORMANCE RIGHTS, VESTING 07.06.2022	NUMBER OF HOLDERS OF UNQUOTED PERFORMANCE RIGHTS, VESTING 15.09.2024
10,001 to 100,000	0	5
100,001 and over	1	2
Total	1	7
Holding less than a marketable parcel	–	–

RANGE	QUADPAY EMPLOYEE OPTIONS	NUMBER OF HOLDERS OF UNQUOTED PERFORMANCE RIGHTS VESTING 08.03.2021	LTI PLAN – UNLISTED PERFORMANCE RIGHTS, VESTINGS VARIOUS DATES BETWEEN 15.06.2021 & 08.03.2025
1-1,000	–	–	2
1,001 to 5,000	2	23	78
5,001 to 10,000	5	53	91
10,001 to 100,000	22	21	204
100,001 and over	1	–	18
Total	30	97	393
Holding less than a marketable parcel	–	–	–

Shareholder Information Cont.

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>	54,448,015	7.91
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	41,188,101	5.99
CITICORP NOMINEES PTY LIMITED	24,803,009	3.61
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	22,894,858	3.33
MR PETER JOHN GRAY	15,502,474	2.25
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	15,271,159	2.22
BNP PARIBAS NOMS PTY LTD <DRP>	9,914,271	1.44
ST LAWRENCE CORPORATION PTY LTD <ST LAWRENCE A/C>	9,200,000	1.34
UBS NOMINEES PTY LTD	7,979,110	1.16
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	7,198,342	1.05
TOMANOVIC MULTIOWN PTY LTD <AFS SUPER FUND A/C>	6,100,000	0.89
MR ADAM MARC FINGER	5,403,147	0.79
SUPERHERO SECURITIES LIMITED <CLIENT A/C>>	3,495,845	0.51
ROCKET INTERNET CAPITAL PARTNERS SCS <RICP SCS A/C>	2,954,596	0.43
BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	2,942,928	0.43
WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	2,844,566	0.41
NATIONAL NOMINEES LIMITED	2,704,445	0.39
JASONMAY PTY LTD <HJG SUPER A/C>	2,500,000	0.36
MRS XIAOLI CAI	2,390,000	0.35
ROCKET INTERNET CAPITAL PRTNRS (EURO)SCS	2,377,634	0.35
Total	242,112,500	35.21

UNQUOTED EQUITY SECURITIES

	NUMBER ON ISSUE	NUMBER OF HOLDERS
Unlisted Warrants, Expiry 6 November 2026	9,134,375	1
Unlisted Warrants, Expiry 6 November 2026	3,653,750	1
Unlisted Warrants, Expiry 1 September 2023	19,365,208	1
Unlisted Performance Options Vesting 10.08.2022	5,880,000	1
Convertible Notes, face value $100,000	600	1
Quadpay Employee options	864,307	30
Unlisted Performance Rights 15.02.2022	406,666	2
Unlisted Performance Rights 15.02.2023	406,666	2
Unlisted Performance Rights 15.02.2024	406,668	2
Unlisted Performance Rights Vesting 15.09.2021	116,667	1
Unlisted Performance Rights Vesting 15.02.2022	393,334	3
Unlisted Performance Rights Vesting 15.09.2023	393,333	3
Unlisted Performance Rights Vesting 15.09.2022	95,460	3
Unlisted Performance Rights Vesting 15.02.2023	54,795	1
Unlisted Performance Rights Vesting 15.09.2024	54,794	1
Unlisted Performance Rights Vesting 15.09.2023	227,360	4
Unlisted Performance Rights Vesting 15.09.2024	227,358	4
Unlisted Performance Rights Vesting 15.09.2025	227,357	4
Unlisted Performance Rights Expiry 30.11.2027	374,756	7
Unlisted Performance Rights Vesting 14.09.2023	23,030	2
Unlisted Performance Rights Vesting 07/06/2022	110,000	1
Unlisted Performance Rights Vesting 07/06/2023	110,000	1
Unlisted Performance Rights Vesting 07/06/2024	110,000	1
Long Term Incentive Plan – Unlisted Performance Rights, vesting various dates between 15/6/2021 and 8 March 2025	14,840,812	393
Unlisted Performance Rights vesting 08/03/2021	781,329	97

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

NAME	CLASS	NUMBER HELD
AMAZON.COM NV INVESTMENT HOLDINGS LLC	Unlisted Warrants Expiry 6.11.2026	12,788,125
CVI INVESTMENTS, INC	Unlisted Warrants Expiry 1.09.2023	19,365,208
WESTPAC BANKING CORPORATION	Unlisted Performance Options Vesting 10 August 2022	5,880,000
CVI INVESTMENTS, INC	Convertible Notes, Face Value $100,000	600

Shareholder Information Cont.

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	PERCENTAGE%
MR LARRY DIAMOND, MR LARRY DIAMOND + MRS ASHLYN DIAMOND DIAMOND VENTURE HOLDINGS PTY LTD <DIAMOND UNIT A/C>	55,165,552	8.05%
State Street Corporation and subs	39,400,084	5.91%

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 4.10.3

The corporate governance statement that meets the requirements of this rule is located on the Company's website https://zip.co/investors/about/corporate-governance

Corporate Directory

DIRECTORS

Diane Smith-Gander AO (Chair)

Larry Diamond (Managing Director & Global CEO)

Peter Gray (Executive Director & Global COO)

John Batistich (Non-Executive Director)

Meredith Scott (Non-Executive Director)

COMPANY SECRETARY

David Franks

Tai Phan

REGISTERED OFFICE

Level 5, 126 Phillip Street
Sydney NSW 2000

Website: www.zip.co

SECURITIES EXCHANGE LISTING

ASX Code: ZIP

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@zip.co