zipMoney

ANNUAL REPORT 2017

“Simplifying how you pay everywhere and save everyday, through easy-to-use, consumer-friendly and financially responsible products.”

zipMoney Limited
ABN 50 139 546 428
ASX: ZML

+61 2 8294 2345
www.zipmoneylimited.com.au

CONTENTS

KEY HIGHLIGHTS

665,000 users[1]

4,400 merchants[2]

$300M in transaction volume[3]

$150M in loan receivables[4]

$67M in equity raised[5]

$415M in debt funding raised[6]

1. Current accounts across zipMoney, zipPay and Pocketbook as at 30 June 2017.
2. Current merchants on platform as at 30 June 2017.
3. Total volume processed on platform since inception.
4. Loan receivable of $152M as at 30 June 2017 (rounded).
5. Total equity raised on ASX (includes $5M Sep-15, $1M Nov-15, $20.6M Jun-16, $40M Aug-17).
6. Total off balance sheet debt commitments in aggregate.

OUR PRODUCTS

Simplifying how you pay everywhere and save everyday.

A strong focus on responsible financial services.

zipPay

Digital wallet (up to $1,000) that helps customers buy now and pay later, interest free always, for everyday purchases online and in-store (fashion, hospitality, CE/IT products).

www.zippay.com.au

zipMoney

Digital wallet (up to $30,000) that helps customers buy now and pay later, interest free, for life's larger purchases online and in-store (CE/IT, travel, lifestyle).

www.zipmoney.com.au

Pocketbook

The free mobile app helps you get smart with your money. It automatically categorises your spending (eg clothes, groceries) to help you reach your financial goals.

www.getpocketbook.com

CHAIRMAN'S AND CEO REPORT

2017 was a watershed year for our business. We enjoyed explosive growth driven by the network effect from our fintech business model, our relentless disruption of the local market and our intensive focus on transparency, fairness and financial responsibility.

Dear fellow shareholders,

This was only our second year as a listed company on the Australian Stock Exchange (ASX) and by far our most accomplished.

Numerous stakeholders have contributed to our success:

Firstly, thanks are due to the investors who have supported Zip since our listing in September 2015. We also acknowledge the role the ASX and its ability to quickly scale early stage technology companies, has played in our success.

Secondly, to our loyal customers and merchants. They are the lifeblood of our business and we are deeply grateful for their continued support of our products.

Finally, to our wonderful staff (more commonly known as the Zipsters) for their evangelism, unwavering passion and curiosity. We are proud of the cultural, skills and experiential diversity they have helped us assemble and the sustainable competitive advantage they give us in the market.

OUR JOURNEY

We began our journey only four years ago. Our belief at the time was that high interest rates, inflexible solutions and poor experiences were turning customers away from traditional payment methods and that an opportunity existed to disrupt credit cards and the checkout experience.

Since then, the whole company has worked tirelessly to build an ethical and financially-responsible business, which has at its core flexible products which deliver rich feature sets, both online and in-store, suitable for all customers.

This strategy is paying off and in the last 12 months we have recorded our best year yet:

- Revenue of $17M, an increase of 431%.
- A 10x increase in quarterly transactions to 250,000+.
- A 9x increase in customer numbers to 300,000+.
- $230m in transaction volume in FY17 vs $50m last year.
- Over 4,400 retailers and 8,000 points of acceptance.
- Bad debts of 1.9% well below industry peers.

A WATERSHED YEAR

This has been a watershed year for Fintech, of which we are a proud participant. Our Company secured two of the largest Fintech equity and debt investments, totalling $300m, in recent Australian history:

- In May, we announced a two-year, $260m debt facility led by National Australia Bank. The facility, when fully-drawn, will result in a significantly lower average cost of funds of approximately 5%. The new facility allowed us to immediately refinance $75m of existing receivables from Victory Park Capital, with no prepayment cost, and will have a material positive impact on our future profitability.
- Earlier this month, we announced a $40m strategic investment and relationship, with Westpac, at 81c per share, an 18.4% premium to the two month VWAP. This transaction represents one of the largest Fintech equity investments in Australia. Under the Westpac strategic relationship, Zip and Westpac will work on a number of strategic initiatives which will create mutual value for both parties, including the rollout of Zip's products and services across Westpac's payment network. Westpac have been given another $8m in performance options if certain revenue targets are met.

We believe these two investments are a validation of our strategy and business model and are testament to the hard work and dedication of our employees, customers, suppliers and shareholders.

The deals also demonstrate a

healthy willingness by Australian banks to partner with the local Fintech community to access the next generation of technology and consumers.

Zip remains as fiercely independent as ever and will continue to be a force to be reckoned with in the local market.

POCKETBOOK ACQUISITION

In September last year we acquired Pocketbook, the industry's leading personal financial management (PFM) app with a strong focus on a consumer's financial wellbeing. It is firmly aligned with our vision to create a financial services model that is built around honesty, visibility and empowering consumers to make better financial decisions, improving their lifestyle.

We integrated Pocketbook into the Zip business during the year and its market-leading transaction categorisation engine is supporting Zip's core credit and fraud decision technology, driving improved automation and deeper credit profiling.

It has been an absolute pleasure working with Alvin, Bosco and the Pocketbook team. They are hard-working, inspirational professionals and we are very excited about the products and features that will evolve out of this team in the future.

DATA SCIENCE

Our investment in data science, alternative data, decision technology (Decisiontech) and credit technology (Credittech) is core to our business model and management of financial risk. We pride ourselves on our ability to digest and understand ever increasing amounts of information in the shortest possible time.

Unlike traditional credit card issuers and consumer finance players, Zip digests significantly more (and alternative) data in real-time via API.

We believe the Zip model represents best practice in the industry:

- We use multivariate machine-learning modelling.
- We look at transaction, social, and behavioural insights.
- We use real-time, automated decisioning.

This year we developed and rapidly deployed our first artificial-intelligent (AI) models. This significantly improved our infrastructure to support real-time credit and behavioural decisions, as well as ongoing customer service and support. Doing this has resulted in 85% of our customer applications now being processed in real time, 24 hours a day, without the need for human intervention.

Investment in data science allows us to deeply understand our consumers, their needs and their behaviours and allows us to make better decisions. This area of the business, which represents our core intellectual-property (IP), will continue to see ongoing investment as we drive further efficiencies across the broader group.

ACCELERATING CHANGE

While our business is strong and growing at unprecedented levels, change in our industry is accelerating. We are witnessing the rise of millennials, increasing competition both onshore and abroad, increasingly sophisticated customer demands and a new era of regulatory and political uncertainty.

Zip is one of many alternative payment methods (APM) to emerge around the world. While Australia is in its infancy, APMs are accounting for an increasing share of both the digital and physical checkouts globally and in some European markets account for up to 50-60% of total shopping cart purchases.[1]

APMs are clearly gaining the attention of the establishment: In June 2017, Visa took a 10% stake in Klarna: PayU invested in Kreditech in May 2017: Vantiv acquired WorldPay in Aug 2017: Mastercard invested in Airwallex in Apr 2017 and in Australia, Westpac invested in Zip in Aug 2017.

These deals are firm recognition of the explosive new trends in consumer behaviour.

The acceleration of change has required us to build strength and capability in our business during the year to prepare us for the challenges that lie ahead.

We have significantly increased our operations, technology, sales, marketing and product capabilities, investing in top industry talent and leading-edge software and platforms. We have also bolstered our leadership bench strength, hiring some of the best leaders in

[1] LSE Worldpay a $10B global specialist in APMs,

the industry to take us into the next phase of our development.

LOOKING FORWARD

This was a milestone year for our business. We secured long term equity and debt capital, we processed more transactions than we have done in the prior three years combined and we invested heavily in our people, attracting top tier talent to a number key personnel appointments.

Our goal remains as strong today as it did four years ago: to build lasting relationships by providing fairness, transparency and genuine payment flexibility, without the need for customers to fall into arrears to drive revenue.

In the long-term we want to see ubiquitous acceptance of Zip payment products at every checkout and online shopping cart where our customers choose to make purchases. Our partnership with Westpac will help accelerate this goal and in time we will look to further disrupt existing technologies and introduce new capabilities to reach more merchants in more industries.

Pocketbook presents an exciting opportunity for us to disrupt banking and financial services in a way that has never been seen globally. We know that not all customers want credit, many have trouble saving and many are disillusioned with their current banking relationships. Soon, Pocketbook will emerge at the leading edge of a new paradigm in consumer banking in Australia.

Watch this space.

FY18 OUTLOOK

We face FY18 as a strong, rapidly growing, agile company firmly focussed on the profitable expansion of our Australian business through delivery of our omni-channel credit, payments and PFM strategies.

Our key priorities for the coming year include:

- Continue to expand Zip's presence in the $300B retail industry.
- Continue to invest in our data science capabilities.
- Drive significant increases in monthly transaction volume.
- Drive increased penetration of Zip in the health services segment.
- Focus on managing costs while investing for growth and a sustained advantage.
- Achieve cashflow breakeven on a monthly basis during the year.
- Release step-change products and features from Pocketbook.
- Continue to diversify our debt funding programs.

Zip will continue to charge ahead with its growth-oriented strategy aimed at creating and maximising shareholder returns and value.

Everyone in our business is excited about the future and we look forward to building a respected and recognised consumer brand through continual, relentless disruption of the local financial services industry.

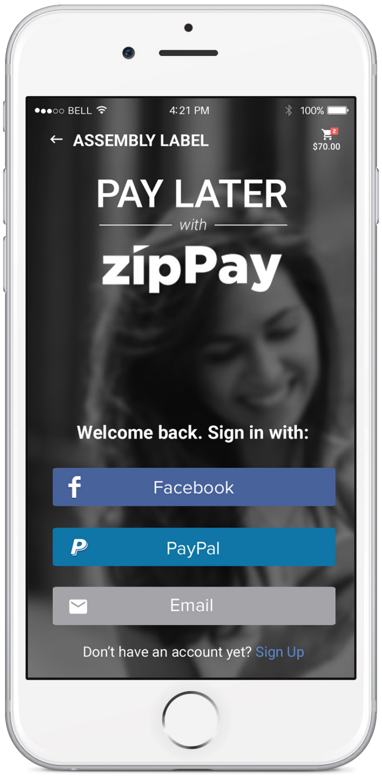
Philip Crutchfield
Chairman

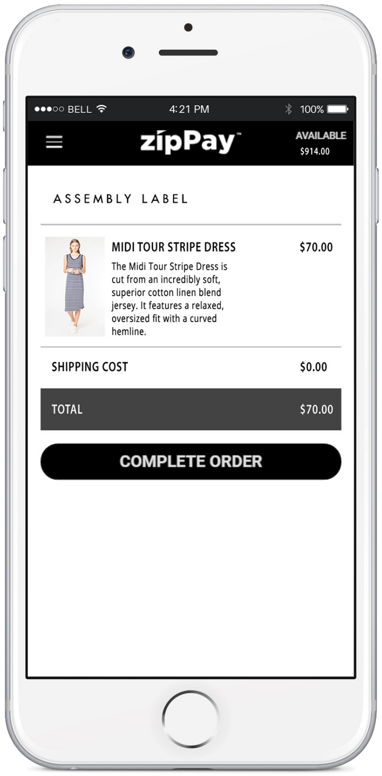
23 August 2017

Larry Diamond
Managing Director & CEO

23 August 2017

BUSINESS SUMMARY





The credit card and traditional sales finance model is broken. Credit card volume growth is slowing, whilst debit cards, digital wallets and APMs are on the rise. Millennials are disengaged with their banks and credit card providers – they understand the difference between a good and bad deal and are seeking better ways to pay.

Credit card applications tend to be lengthy, have low acceptance rates, offer increasingly less loyalty and unfriendly terms. Customers are unwilling to fill out paper forms or search for pay slips when applying for retail finance in physical locations.

Against this backdrop, Zip evolved and developed its unique model in market:

- The only consumer finance option that is mobile, 100% digital and payments-oriented.
- *Simple*, *fast* and *fair* mobile credit and payment solutions, with a strong focus on interest free.
- The ability to originate a customer at checkout with any transaction dollar amount, from $150 pair of Nikes to $2,000 Luxury Escapes getaway.
- A strong focus on the millennial segment, which congregate at these retailers and are digital natives.
- Zip leverages Big Data to differentiate and lead the market – we digest more data, quicker than any of our peers.
- Zip offers a fully integrated online and instore solution, so shopping across the omni-channel is seamless.
- A very strong focus on responsible financial services. Zip holds an Australian Credit Licence and a Financial Services Licence.
- Headquartered in Sydney with the entire customer care team based in Australia, 7 days a week.

> Youfoodz as a whole has increased weekly revenue and marketing spend by over 200% since we started with zipPay.

20%

Average increase in conversion

2-3x

Repurchase rate

43%

Average increase in order value

Source: based on internal data sets.

BUSINESS SUMMARY

This year saw the Zip network effect really gain momentum with customer and transaction numbers skyrocketing. The Zip brand continues to expand its presence, now at the checkout of thousands of Aussie and Kiwi retailers.

The Zip platform exhibited significant growth in FY2017:

- 10-fold increase in quarterly transaction volume, growing from 25,000 transactions at the beginning of the year to 250,000 by year end.
- 9-fold increase in consumers, growing from 35,000 at the beginning of the year to 300,000 by year end.
- 5-fold increase in retailers, growing from 740 at the beginning of the year to 4,400 by year end.
- 30-fold increase in unique visits to our websites, growing to more than 1.5m monthly unique visits by year end.

PAYMENTS

Zip is intensely focused on delivering a seamless and consistent payments experience across the omni-channel, online, instore or over the phone. Zip began its life as a consumer finance company, focused on point-of-sale credit in 2013 and has now evolved into an alternative, 'next generation' payments company processing hundreds of thousands of transactions on the platform. Alternative Payment Methods or APMs, represent the change at checkout where non-card payments are increasing their share due to strong demand.

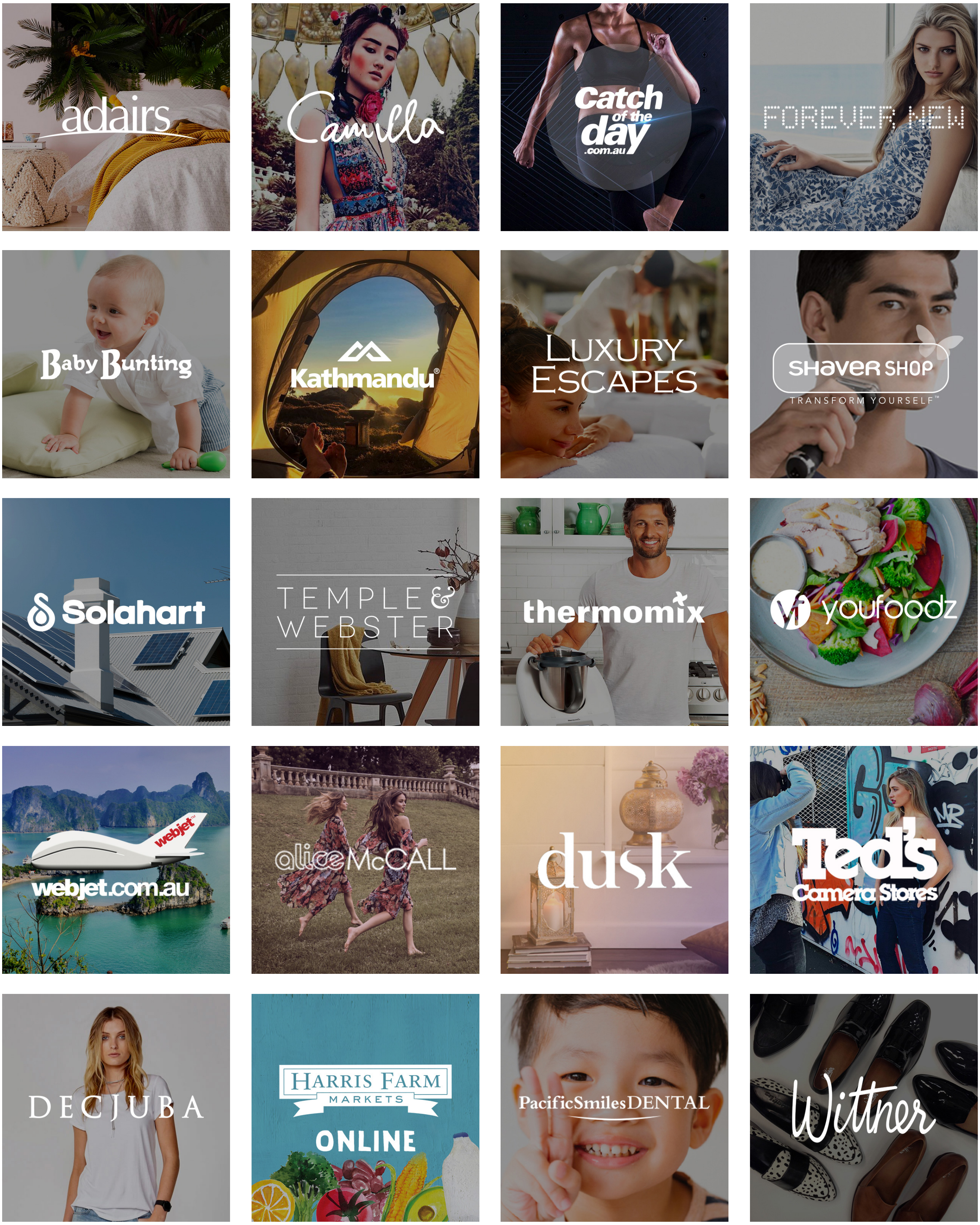
Zip offers its interest-free instalments online at the digital checkout, instore via virtual and integrated point-of-sale systems, in health services clinics, over the phone at contact centres and in the home. The digital and transferable nature of the model allows for many variations, all with the purpose of consuming a payment in the most seamless way possible.

In late 2016, Zip innovated its instore experience to complete the transaction via a six-digit payment code, either in the POS or terminal, which resulted in a significant uptick in volume. By the end of FY17, approximately 20% of all transactions and 45% of the transaction volume were taking place instore. Zip will continue to invest in its instore and offline payments capability and increase the number of places that accept its payment type. This involves further point-of-sale and terminal integrations, as well as native app development to deliver a seamless customer experience.

Zip began the year processing 300 transactions per day and ended processing over 3,000 per day – clearly demonstrating the cloud-based, scaleable nature of the platform. Supported by both direct sales initiatives as well as channel partnerships, Zip expects this volume to continue to accelerate over the coming year(s).

BUSINESS SUMMARY

A win-win business model results in topline growth for our retailers. Zip is now accepted at 8,000 locations throughout Australia as an alternative payment method.



RETAIL NETWORK

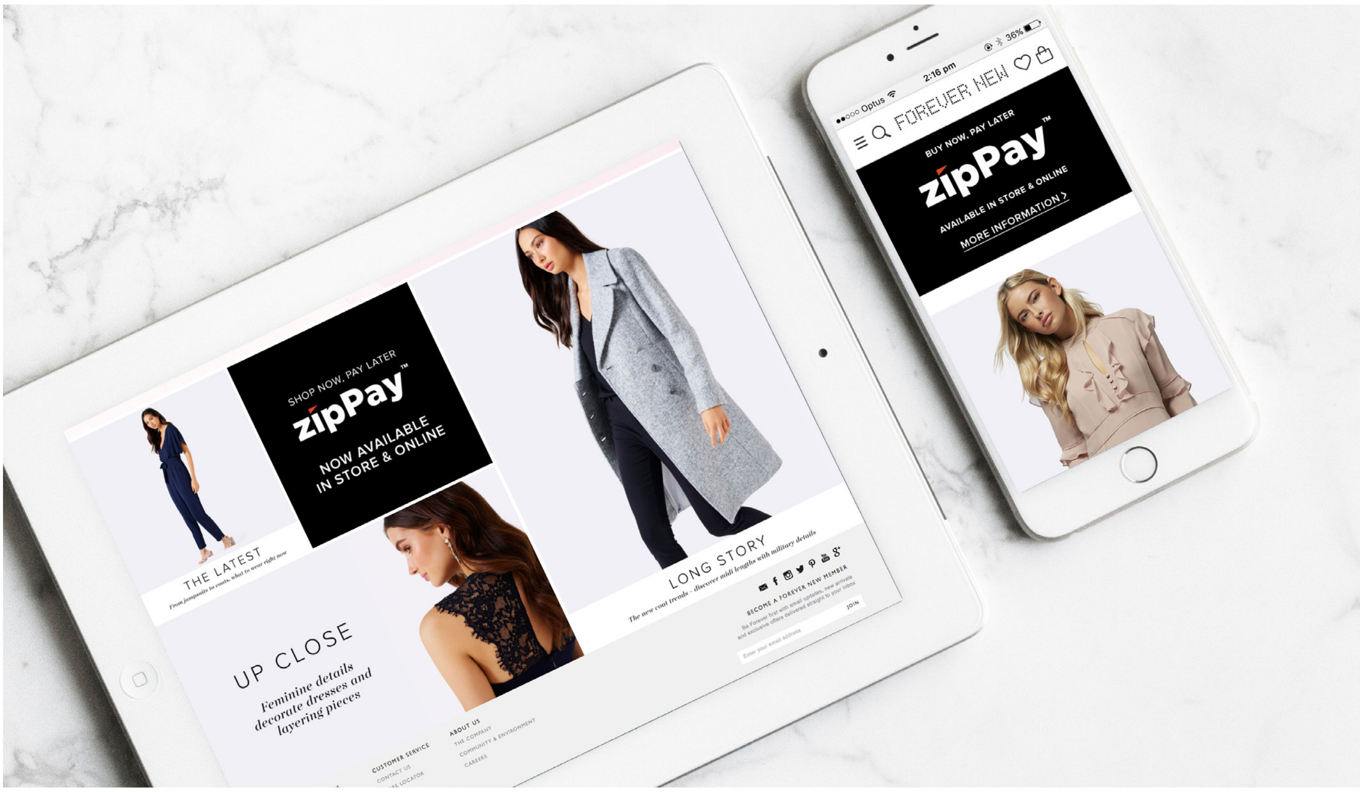
Retail partnerships are key to the success of Zip and merchant agreements underpin the acceptance of Zip at checkout. Zip began the year with 750 retailers and ended with 4,400, a five-fold growth factor in 12 months. This was driven by direct sales, inside sales and partnerships (channel). The retailer base extends across a diverse group of categories such as retail, food and hospitality, travel, health services and consumer electronics, demonstrating the versatility of Zip's core offerings.

Zip also has a strong focus on the small and medium-sized business segment (SME), as well as mid market and enterprise. With 2.5 million Australian small businesses, Zip's payment service is a great way to 'level the playing field' by offering these businesses the same opportunities traditionally afforded by the big end of town with the **power of interest free.**

Zip brought on a large number of enterprise brands over the year including Webjet Exclusives, Luxury Escapes, Catch of the Day, Living Social, Kathmandu, Adairs, Harris Farm, Baby Bunting, Forever New, Dusk and Camilla. The awareness of the Zip brand is growing exponentially as the number of retailers sign up, then introduce Zip to their respective consumer bases.

Retailers are increasingly seeing the importance of alternative payments, particularly interest-free, as a strong value driver for increased engagement. The key performance indicators retailers experience include: increased customer conversion, increased basket sizes and repeat purchasing behaviour.

Zip continues to invest in channel and point-of-sale partnerships to rapidly accelerate the acceptance of Zip throughout Australia. As well as over 25 integrations across shopping carts, point-of-sale and terminals, Zip has executed a number of partnerships over the year aimed at accelerating the acceptance of its payments, including eWAY, Retail Directions, Pronto, Shopify, Neto and eCorner.



HEALTH

The health sector is a core focus for Zip, with an estimated $29 billion in annual personal spending and a further $21 billion on health insurance premiums, according to the *Australian Institute of Health and Welfare*. This out-of-pocket gap is only increasing and affordable healthcare is becoming increasingly difficult for consumers to access. Traditionally, this sector has been under-serviced from a consumer finance perspective, due to the relatively high 'cost to serve' of old, legacy models.

Zip sees consumer finance and interest-free instalments as a natural fit for the health sector. Zip currently focuses on three core segments: dental, veterinary and cosmetic and will look to expand on this set over the coming financial year(s).

Over the course of the year, the healthcare team expanded and the segment has grown strongly since January 2017:

- Average month-over month growth of **transactions +70%.**
- Average month-over-month growth of **clinics +30%.**
- **More than 500 clinics** currently accepting Zip throughout Australia.

The pipeline is very healthy and a number of key names and strategic partnerships were added, including Pacific Smiles, Henry Schein Halas, MediPlan and Regional Healthcare.

Together with our partners, zipMoney provides a healthier way for patients to manage their treatment costs.

We partner with the best in the health industry

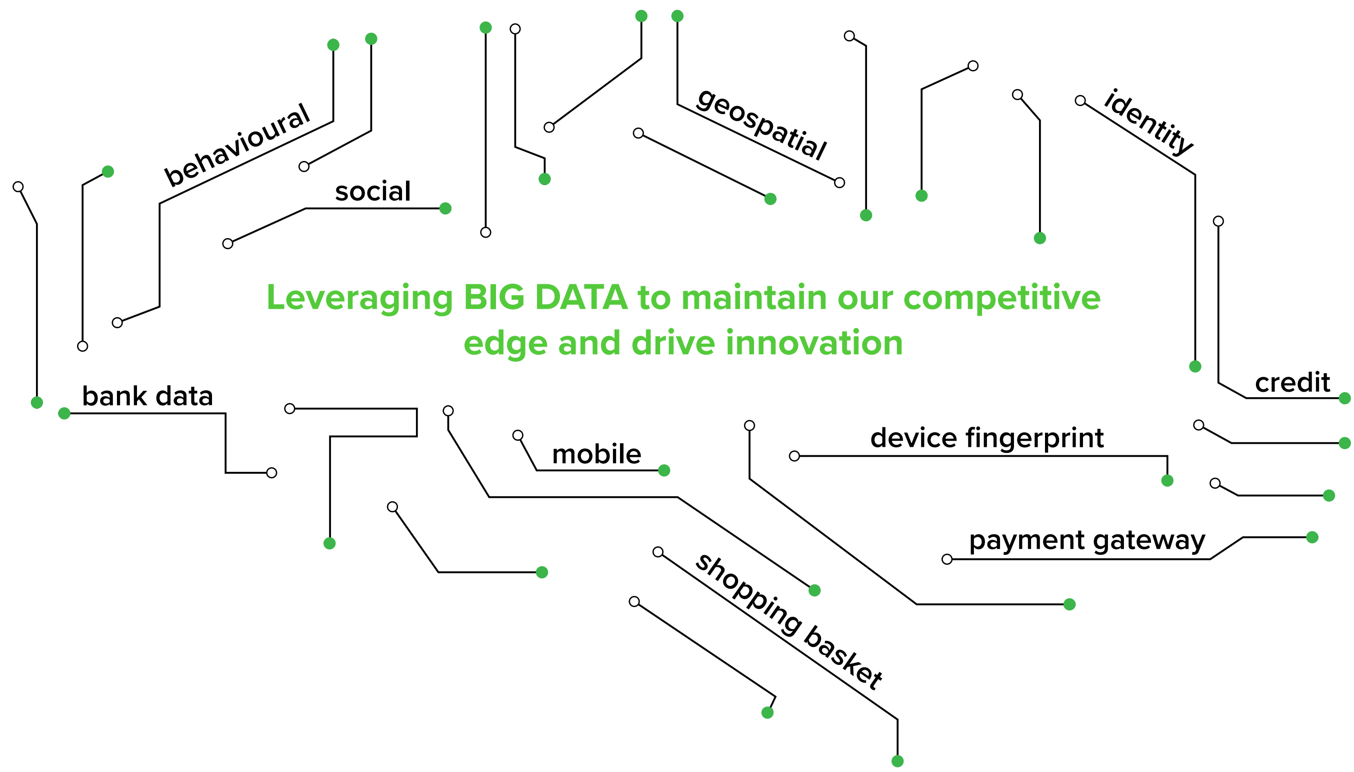
MediPlan

nanosonics

PROVET

REGIONAL HEALTH CARE GROUP

HENRY SCHEIN® | HALAS



DATA SCIENCE

Zip continues to invest in its core intellectual property - its 100% owned fraud, payments and credit decision technology. Led by the Data & Risk team, which expanded the number of data scientists, analysts and engineers over the period, it was pivotal in driving change and fostering a data-driven culture throughout the organisation.

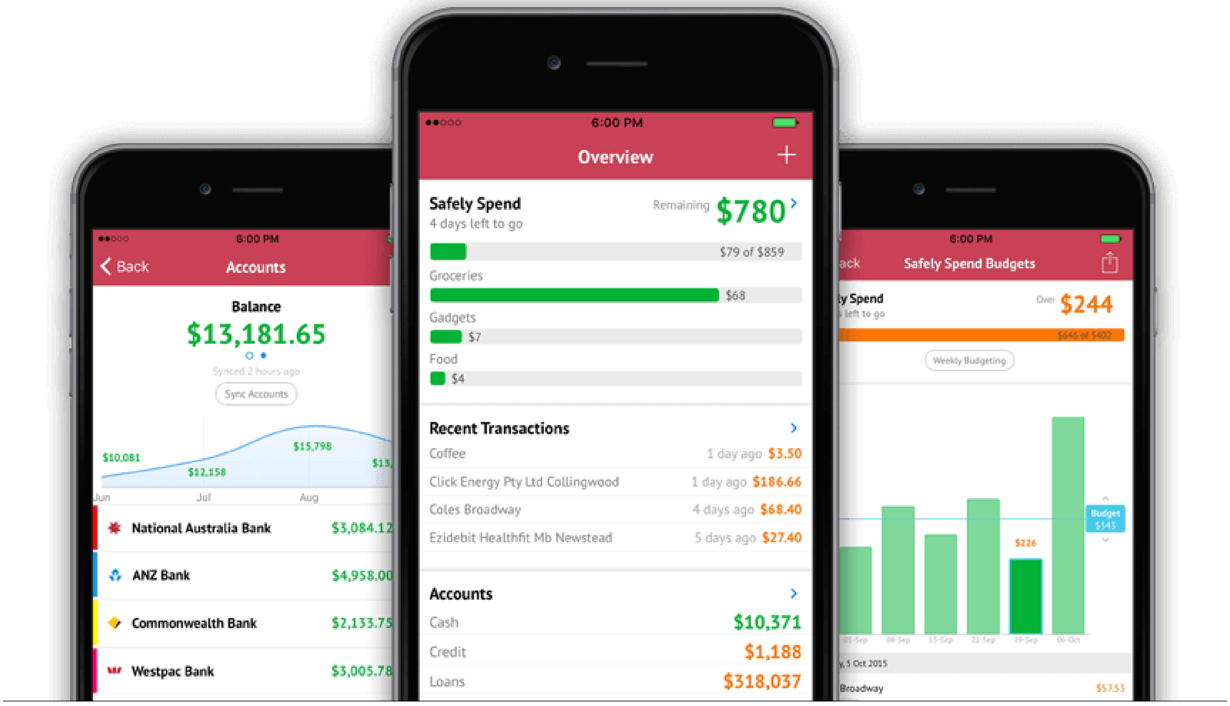
Some of the key highlights over the year included:

- Implemented and optimised Zip's Big Data infrastructure, increasing speed-to-market to rapidly deploy new AI, machine learning and analytics capabilities across all business units.
- Deployed a number of new machine learning algorithms within selected product categories, focusing on increased levels of automation and loss prevention.
- Augmented the existing decisioning engine with new alternate data sources to enhance risk models and analytical capabilities.
- Development of a new Business Intelligence (BI) platform and framework to better track business performance and provide deep analytical insights to drive and accelerate growth across the organisation.
- Implemented new technologies enabling risk analysts to more effectively identify hidden relationships and connections between customer accounts, whilst proactively detecting suspicious transaction behaviour.

"The investment in our big data infrastructure and growth in our Data Science & Risk division will underpin and enable much of the innovation we will deliver as a business in the coming years. As a team, our aim is to deliver increased automation to support accelerated growth as we scale, enhance our risk management capabilities, improve data accessibility across the organisation and identify unique revenue growth opportunities through the use of data and advanced analytics. Most importantly, these world-class analytical capabilities will enable Zip to maintain its competitive edge and we are excited to see how these capabilities will evolve over the next few years."

Adam Finger, CIO

BUSINESS SUMMARY



POCKETBOOK

Since joining the Zip Group in September 2016, Pocketbook has enjoyed a strong FY2017, both in terms of growth, as well as technology and product innovation. Organic growth reached 370,000 users, an increase of 44% since the date of acquisition.

In the past year, Pocketbook has built the foundations for product growth to come in FY2018, as well as integrated core infrastructure across the Zip platform. Key highlights over the year included:

- Launched the “While You Are away” feature, providing real-time, data-driven user insights – this drove 30% higher engagement levels.
- Continued enhancement of Pocketbook’s industry-leading transaction categorisation engine. The pending launch in Q2 is expected to increase the accuracy by a significant 15%.
- Provided meaningful contributions to Zip’s core proprietary, real-time decision automation platform through enhanced categorisation, bill and income detection as well as credit profile personas.

Pocketbook is currently working on a slew of new features in H1 FY2018 which will leverage our group-wide capabilities and expertise across the financial services and banking sector, focussing primarily on the financial-wellness and wealth-enhancement side of the personal finance ledger.

Pocketbook was also the beneficiary of a number of industry accolades:

- ‘Best Mobile app of the year’ from StartCon 2016.
- ‘Best Personal Financial Management App’ from Finder 2016.
- ‘Fintech Innovation in Wealth Management (Robo-Advice)’ from Fintech Awards 2017.
- ‘Best Personal Finance Innovator of the Year’ from FintechBusiness 2017.

“Innovation is at the core of Pocketbook. It was the first personal finance app in Australia and is now one of the country’s largest non-bank apps. We strive to improve the quality and financial wellbeing of all Australians through continuous learning and rapid deployment.”

Bosco Tan,
Pocketbook Co-founder

FUNDING

FY2017 was a monumental year for funding. The Company managed to secure two of the largest Australian equity and debt Fintech funding deals in recent history.

National Australia Bank

The Company secured a $260 million asset-backed securitisation warehouse program for its consumer receivables, led by National Australia Bank (NAB). This was in addition to its $130 million warehouse, senior-funded by Victory Park Capital. The new facility was a significant improvement on the previous economics with a materially lower average cost of funds of approximately 5% on a fully drawn basis.

"This is a major milestone for Zip. It delivers funding security, provides significant headroom for our rapidly growing origination volumes and an immediate bottom line benefit. Beyond this, it is an essential step in establishing a diversified funding program for the Zip business. NAB embraced the process and demonstrated a superior understanding of Australian Fintech, in particular Zip's unique customer value proposition. We look forward to a long and mutually beneficial relationship with NAB."

Westpac Banking Corporation

Post balance date on the 7th August 2017, Zip secured a $40 million strategic equity investment from Westpac Banking Corporation (Westpac) by way of a private share placement, representing 17% of the issued capital. The shares were issued at a 18.4% premium to the two-month VWAP of $0.68 per share.

The proceeds from the investment will be used to accelerate Zip's growth plans and the development of new products and technologies, including enhancing its data science and proprietary decisioning capabilities. This investment will also provide additional equity capital to support the continued growth in the zipMoney loan book.

Westpac and Zip also entered a strategic relationship, which allows the parties to explore the integration of Zip's products and services across Westpac's network throughout Australia. As part of the strategic relationship, the parties will also explore other initiatives including the provision of currently in-development business-to-business products and services to Westpac.

"This strategic deal with Westpac is a truly transformational moment for Zip and our unique customer value proposition. It is a serious validation of the success of the Zip platform and offering, and the strategic relationship arrangements will deliver a significant opportunity to further accelerate the growth of our merchant network and origination volumes. We look forward to welcoming Westpac onto the register and to their ongoing support in the growth of our Company."

"Every day at Zip we strive to change the way Australians pay, plan and save. Every aspect of what we do at Zip is to ensure Australians get the fairest and most transparent financial experience possible."

BUSINESS SUMMARY

AUSTRALIAN FINTECH AWARDS 2017

Zip and Pocketbook both received awards at the prestigious 2017 Australian FinTECH Awards during the quarter. Zip received the 'Innovation in Payments' award for, "an innovative new product or service that disrupts the local payments sector across mobile or digital currency providers" and Pocketbook received the 'Innovation in Wealth Management (Robo Advice)' award for, "a new, or significantly improved product or service that leverages technology to benefit customers or financial institutions."

"We are ecstatic about our historic wins by both companies. Every day at Zip we strive to change the way Australians pay, plan and save. Every aspect of what we do at Zip is to ensure Australians get the fairest and most transparent financial experience possible. Continuous innovation in this area is core to our DNA. These awards are evidence of the boundaries we seek to test across both sides of our business, Pocketbook and Zip."

MANAGEMENT HIRES

Over the course of FY17, Zip made a number of key appointments to its leadership team, bolstering its skills and capabilities as its pursues the growth of its financial products in market:

Key roles filled included:

- Chief Revenue Officer
- Chief Growth Officer
- Chief Strategy Officer
- Chief Financial Officer
- Head of People and Culture
- Head of Human Experience

Overall staff numbers ended the year at 102 full-time personnel, having grown from 35 at 30 June 2016. Zip retains all its core capabilities in-house and does not outsource. Most of the personnel growth took place in data and risk, customer care, sales and marketing, and product and technology.

Zip is headquartered in Sydney and has representation in Melbourne, Brisbane and Perth.

zipMoney and Pocketbook

FINANCIAL RESULTS

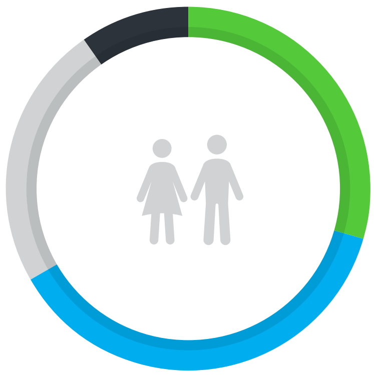
Significant growth achieved during the financial year – zipMoney's first full year as an ASX-listed company.

Revenue	$17.0m	2016: $3.2m	↑ 431%
Receivables (gross)	$152.0m	2016: $40.7m	↑ 273%
Cash[1]	$19.2m	2016: $7.1m	↑ 170%
Customers[2]	301,000	2016: 34,000	↑ 785%
Transaction volume	$230.7m	2016: $51.5m	↑ 348%
Repayments	$118.2m	2016: $13.7m	↑ 763%
Merchants[3]	4,437	2016: 740	↑ 501%
No. of transactions	546,611	2016: 41,702	↑ 1,212%
Bad debts[4]	1.9%	2016: 1.1%	↑ 0.75%

1. Includes $12.6m in restricted cash relating to the securitisation facility.
2. Customer accounts across zipMoney and zipPay as at 30 June 2017.
3. Number of merchant locations as at 30 June 2017.
4. Annualised as a percentage of receivables (gross).

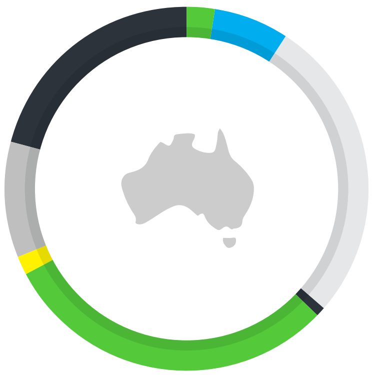
CREDIT PERFORMANCE

PORTFOLIO SEGMENTATION



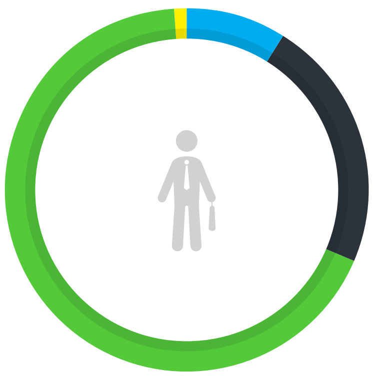
AGE

- 18-24 24%
- 25-34 37%
- 35-49 30%
- 50+ 9%



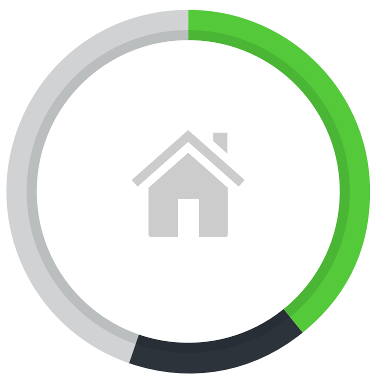
STATE / LOCALE

- TAS 3%
- SA 7%
- QLD 27%
- NT 1%
- NSW 30%
- ACT 2%
- WA 10%
- VIC 20%



EMPLOYMENT STATUS

- Self-employed 9%
- Part-time 22%
- Full-time 68%
- Retired 1%



RESIDENTIAL STATUS

- Rent 39%
- Living with parents 16%
- Home owner 45%

The data presented in these charts reflects Zip customers on the books as at 30 June 2017, onboarded using the Zip digital wallet (either zipMoney or zipPay).

A brief review of the current portfolio demonstrates a mix of healthy diversification:

- Zip is a national brand with a geographic mix not dissimilar to the overall population, with NSW, VIC and QLD accounting for 78% of the portfolio.
- Of all age groups represented, an over-index of 61% of customers relate to the emerging prime (millennial) segment.
- Within the zipMoney product, there is approximately 45% penetration of home buyers/ owners, validating great 'product market fit', whilst reflecting that prime customers are looking for better ways to pay and embracing alternate payments.
- A significant number of customers are originated at point-of-sale and therefore the acquisition segmentation is heavily skewed to the respective customer base of the introducers or retailers. As Zip continues to expand its retail footprint, the diversification of the customer base will continue to evolve.

Note: The data presented reflects the Zip customer receivables portfolio as at 30 June 2017. Residential and employment data is based on the zipMoney customer receivables as at this date.

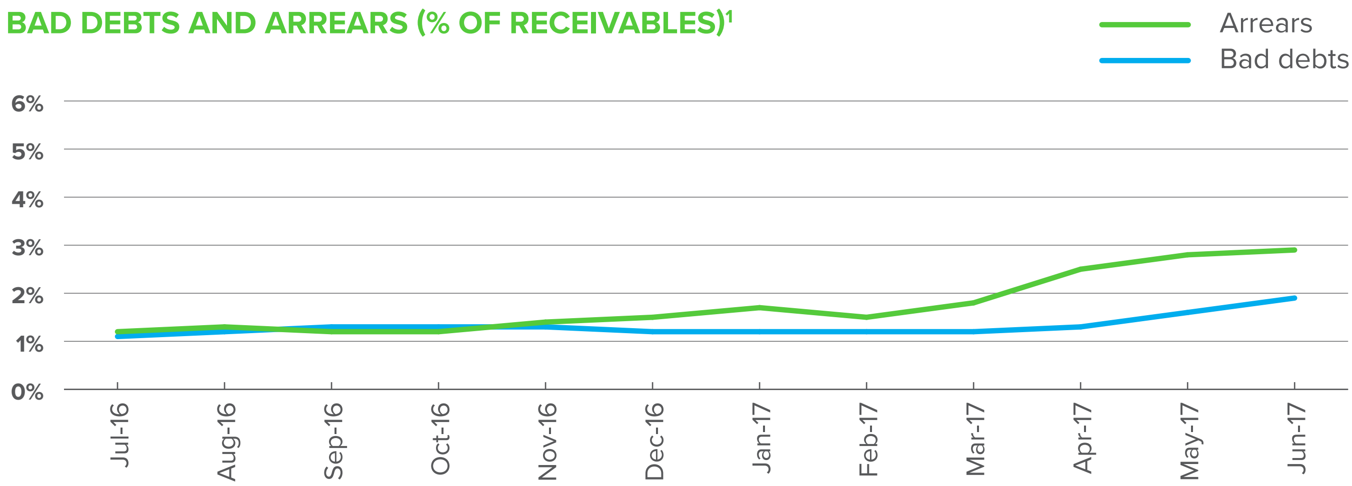
Strong underlying credit performance, which significantly outperforms our peers, validates the ongoing investment in Zip's proprietary decision technology.

Relative to traditional consumer finance players, Zip consumes significantly more diverse data when underwriting applicants. This approach incorporates the broader use of conventional and non-conventional credit data. Over the last 4 years, Zip has continued to invest in proprietary credit and fraud decision technology, which consumes this data in real-time to provide an automated decision.

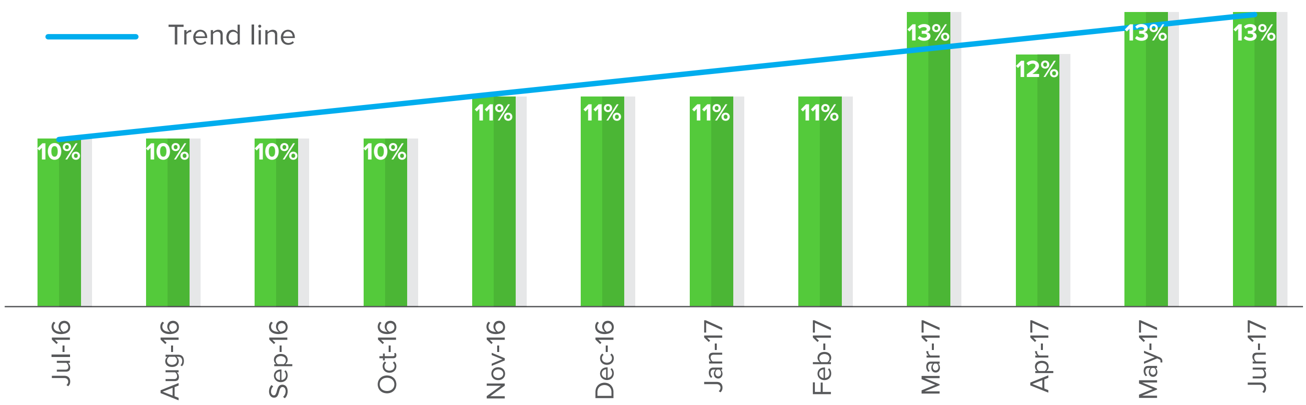
"The strong performance of the loan book continues to demonstrate the power of our proprietary DesionTech. The receivables performance reflects a seasoning in the portfolio and remains well ahead of the industry. Continued investment in Zip's proprietary decision technology and Data & Risk division is expected to result in improved portfolio performance over the coming periods. The adoption of new technologies, data sources, improved collection strategies and product innovation, as well as the deployment of advanced machine learning models are just some of the initiatives being adopted by Zip to maintain its market leading performance. The strong repayment rate of 13% of outstanding receivables further evidences this."

Executive Director & COO, Peter Gray

BAD DEBTS AND ARREARS (% OF RECEIVABLES)[1]



REPAYMENT RATE (% OF RECEIVABLES)[2]



Note: All charts contain unaudited figures and may be rounded.

1. Arrears defined as those accounts greater than 60 days delinquent; Bad debts defined as those accounts greater than 180 days delinquent. All figures are on an annualised basis.

2. Repayment rate as at beginning of month.

BOARD OF DIRECTORS

Philip Crutchfield
Chairman

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

Larry Diamond
Managing Director & CEO

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

Peter Gray
Executive Director & COO

Peter co-founded zipMoney in 2013. With over 20 years of experience in the retail finance industry, he has managed over $400m in loan receivables for over 500,000 customers globally. Peter is also the responsible manager of zipMoney's credit licence under the ASIC regime.

Megan Quinn
Non-Executive Director

Megan was a co-founder of internationally acclaimed NET-A-PORTER. For the past 25 years she has built an international career specialising in retail, finance, advertising and publishing for the fashion, jewellery, banking, technology and airline industries. Megan has held executive Board roles with both NET-A-PORTER and Harrods and is now an Independent Non-Executive Director of Reece Ltd; Specialty Fashion Group and UNICEF Australia.

Andrew Bursill
Company Secretary

Andrew holds a Bachelor of Agricultural Economics from the University of Sydney and is a Chartered Accountant, qualifying with PricewaterhouseCoopers (formerly Price Waterhouse).

2017 DIRECTORS' REPORT AND FINANCIAL REPORT

DIRECTORS' REPORT

The directors are pleased to submit herewith the annual report of zipMoney Limited and its controlled entities (consolidated entity or Group) for the financial year ended 30 June 2017. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

DIRECTORS

The following persons were directors of zipMoney Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Philip Crutchfield
Larry Diamond
Peter Gray
Megan Quinn (appointed 22 August 2016)

PRINCIPAL ACTIVITIES

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

REVIEW AND RESULTS OF OPERATIONS

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

	2017		2016	
	Revenue $	Loss after Tax $	Revenue Restated $	Loss after Tax Restated $
zipMoney Limited	17,002,131	(20,190,588)	3,170,255	(8,967,459)

DIVIDENDS

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

REVIEW OF OPERATIONS

Summary

zipMoney is a leading player in the digital retail finance industry. The Company is headquartered in Sydney, Australia with offices in Melbourne, Brisbane and Perth.

The Company offers point-of-sale credit and digital payment services to the retail, education, health and travel industries, estimated at ~$100 billion in combined annual transaction volume.

Revenue for the year to 30 June 2017 grew to $17,002,131 up from $3,170,255 in the prior year. This increase was driven by an increase in both merchant and customer numbers, with transaction volumes increasing from $51,445,634 in the previous financial year to $230,672,216 in the current financial year.

The net loss for the year after tax totaled $20,190,588 compared to $8,967,459 in the previous financial year.

Finance costs, data costs and bank fees, that increase in line with the growth of the customer receivables increased from $2,496,537 to $13,971,304 reflecting the growth in the customer receivables and customers.

Salaries and employment costs increased from $1,779,243 to $7,593,310 as a result of headcount increasing from under 50 at 30 June 2016 to 133 at 30 June 2017. The company has invested significantly in headcount over the year to drive growth in customer receivables, develop its products and support its merchant and customer base.

As at 30 June 2017, the zipMoney receivables portfolio was $152,038,565, having grown 273% over the previous year. The repayment profile continues to remain healthy at approximately 13% (of period end receivables) in monthly collections.

The credit performance of the receivables portfolio continues to perform in line with internal management projections. The reported arrears rate was 2.94% at 30 June 2017 (1.3% at 30 June 2016) and zipMoney wrote off $1,948,745 ($260,145 to 30 June 2016) in bad debts for the year. Pleasingly reported arrears and write offs remain below comparable established peers, although zipMoney's operations are still relatively young and require further 'seasoning' to establish a more mature loss rate.

Cashflows

Cash receipts from customers were $16,950,686 for the year, compared to $3,324,591 in the prior year. Payments to merchants, suppliers and employees totalled $14,966,115 up from $3,927,087 in the prior year.

Cash outflows to investing activities for the period were $117,608,492, up from $36,131,213, reflecting a significant net increase in customer receivables, continued investment in software, research and development, cash used to acquire Pocketbook and the purchase of plant and equipment.

Cash inflows from financing activities for the period were $137,311,980, including $129,100,000 in borrowings to fund the growth in customer receivables and the proceeds of shares issued of $10,874,231. The company incurred costs of $1,988,477 to source new funding facilities, and restructure existing facilities. This cost, whilst a cash ouflow in the year to 30 June 17 is amortised over the term of the underlying facilities in the reported results of the Group.

Changes in the state of affairs

During the financial year, the consolidated entity acquired Pocketbook Holdings to support its strategy of creating a new financial services model which empowers customers to make better financial decisions.

Other than the above, there was no significant change in the state of affairs of the consolidated entity during the financial year

Subsequent events

On 7 August 2017, the consolidated entity announced that Westpac Banking Corporation ("Westpac") had agreed to invest $40,000,000 in the Group through the issue of 49,382,716 new ordinary shares at a price of 81 cents per share. In addition Westpac was granted 9,800,000 Performance Options, subject to shareholder approval, exerciseable at 81 cents per share that vest based on the achievement of certain performance hurdles.

On 23 August 2017, the consolidated entity approved the issue of up to 1,690,000 ordinary shares to its employees under the Company's existing Employee Share Plan for their performance in the 2017 financial year. This share based payment has been reported in the financial statements.

Other than the above, there has not been any other matter or circumstance subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Future developments

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

Environmental regulation

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

Information on directors

Name:	Philip Crutchfield
Title:	Non-executive Chairman
Experience and expertise:	Philip Crutchfield was appointed as Chairman and Non-Executive Director on 14 December 2015. Mr Crutchfield is a board member of the Geelong Grammar School Foundation, Bell Shakespeare Theatre Company, and the Victorian Bar Foundation Limited. He is also a former partner of Mallesons Stephen Jaques (now King & Wood Mallesons). Philip Crutchfield is a senior barrister practising in commercial law. He was admitted to practice in 1988.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	4,660,000
Interest in options:	1,000,000

Name:	Larry Diamond
Title:	Managing Director and Chief Executive Officer
Experience and expertise:	Larry Diamond co-founded zipMoney in 2013 following 12 years' experience in retail, IT, corporate finance and investment banking at Pacific Brands, Macquarie Capital and Deutsche Bank. He is a former consultant to lenders Prospa, Money in Advance and payment operator Live TaxiEpay. Larry is a Qualified Chartered Accountant and holds a Bachelor of Information Technology and Master of Commerce (Finance).
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	61,117,263
Interest in performance shares:	6,925,535

Name:	Peter Gray
Title:	Executive Director and Chief Operating Officer
Experience and expertise:	Peter Gray co-founded zipMoney in 2013 as a consumer finance specialist with over 20 years' experience in the Retail Finance industry. He is a licensed Responsible Manager for zipMoney Payments Pty Ltd under the ASIC regime and has held the role for numerous former businesses. His core strengths are in consumer and merchant credit risk, compliance and operations management. Peter has managed over 500,000 customers locally and offshore for over $400 million at FAI Finance, myBuy, Once Credit and AFD organisations.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	20,006,105
Interest in performance shares:	2,285,775

Name:	Megan Quinn
Title:	Non-Executive Director
Experience and expertise:	Megan Quinn was a co-founder of internationally acclaimed NET-A-PORTER. For the past 25 years she has built an international career specialising in retail, finance, advertising and publishing for the fashion, jewellery, banking, technology and airline industries. While in London, Megan held executive Board roles with both NET-A-PORTER and Harrods and is now an Independent Non-Executive Director of Reece Ltd; Specialty Fashion Group and UNICEF Australia. Megan is a highly experienced strategist and consultant with particular expertise in innovation, brand development, retail, customer service and experience across all channels. She is on the international speaking circuit and runs Q&CO Consultancy.
Other current directorships:	Reece Ltd; Speciality Fashion Group; UNICEF Australia
Former directorships (last 3 years):	Fitted For Work
Interests in shares:	None
Interest in options:	200,000

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

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

Company Secretary

Andrew Bursill is a principal of Franks & Associates Pty Ltd where he specialises in the provision of outsourced company secretarial and finance services. Mr Bursill has been a director and company secretary of numerous listed and unlisted public companies and is a member of the Institute of Chartered Accountants in Australia.

Meetings of Directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2017, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Philip Crutchfield	5	5
Larry Diamond	5	5
Peter Gray	5	5
Megan Quinn	4	4

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

REMUNERATION REPORT (AUDITED)

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

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

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

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

Principles used to determine the nature and amount of remuneration

The remuneration policy of zipMoney Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives. The board of zipMoney Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Company.

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives (if any), was developed by the board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The board reviews executive packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which was 9.5% for the 2017 financial year (9.5% for 2016 financial year), and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed. Options granted are valued using the Black-Scholes methodology and the benefits are amortised over the vesting period.

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

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. None was sought during the 2017 financial year. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently $300,000). Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in the employee option plan. Any options issued under the employee option plan are reported as share-based payments and are approved at the Company's AGM.

Performance based remuneration

The board may provide for bonuses (either cash or equity) to key management personnel at their discretion based on the company and individual performance.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity zipMoney Ltd consisted of the following:

- Philip Crutchfield, Non – Executive Chairman
- Larry Diamond, Executive Director
- Peter Gray, Executive Director
- Megan Quinn, Non – Executive Director
- Martin Brooke, Chief Financial Officer, Executive Management

		Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Annual leave	Equity-settled	Total
2017	$	$	$	$	$	$	$
Non-Executive Directors:							
P. Crutchfield	60,000	–	–	5,700	–	187,047	252,747
M Quinn	31,324	–	–	2,976	–	53,440	87,740
Executive Directors:							
L. Diamond	250,000	–	9,100	23,750	1,132	–	283,982
P. Gray	250,000	–	–	23,750	14,569	–	288,319
Executive Management:							
M. Brooke(1)	115,692	–	–	10,991	8,006	50,000	184,689
	707,016	–	9,100	67,167	23,707	290,487	1,097,477

(1) Appointed 9 January 2017.

On 23 August 2017 the consolidated entity approved the issue of 65,790 ordinary shares to M.Brooke under the existing Employee Share Plan for the achievement of 100% of the performance targets set for the period from appointment to the end of the Financial Year.

The 2016 remuneration figures below represent the remuneration of zipMoney Limited key management personnel for the year ended 30 June 2016 together with the remuneration of key management personnel of zipMoney Holdings Pty Limited post-acquisition on 11 September 2015.

		Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Annual leave	Equity-settled	Total
2016	$	$	$	$	$	$	$
Non-Executive Directors:							
P. Crutchfield	11,012	–	–	1,046	–	133,026[4]	145,084
L. Flint(1)	11,550	–	–	–	–	–	11,550
I. Hobson(2)	70,300	–	–	–	–	–	70,300
Executive Directors:							
L. Diamond(3)	136,986	–	–	13,014	16,075	–	166,075
P. Gray(3)	136,986	–	–	13,014	16,075	–	166,075
	366,834	–	–	27,074	32,150	133,026	559,084

(1) Resigned 11 September 2015.
(2) Resigned 14 December 2015.
(3) Appointed 11 September 2015.
(4) The amount reflects the updated fair value at grant date.

Service agreements

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

Name:	Larry Diamond
Title:	Managing Director and CEO
Agreement commenced:	1 July 2016
Term of agreement:	Annual salary of $250,000 exclusive of statutory superannuation. This was based on a Board review of market comparable salaries. Company may terminate agreement on 6 months' notice or by providing cash payment equal to 6 months' pay.

Name:	Peter Gray
Title:	Executive Director and COO
Agreement commenced:	1 July 2016
Term of agreement:	Annual salary of $250,000 exclusive of statutory superannuation. This was based on a Board review of market comparable salaries. Company may terminate agreement on 6 months' notice or by providing cash payment equal to 6 months' pay.

Name:	Philip Crutchfield
Title:	Non-Executive Chairman
Agreement commenced:	14 December 2015
Term of agreement:	Annual fees of $60,000 exclusive of statutory superannuation. This was based on a Board review of market comparable salaries. Tenure and retirement/ resignation as a director is governed by the Corporations Act and the Company's constitution.

Name:	Megan Quinn
Title:	Non-Executive Director
Agreement commenced:	22 August 2016
Term of agreement:	Annual fees of $40,000 inclusive of statutory superannuation. This was based on a Board review of market comparable salaries. Tenure and retirement/ resignation as a director is governed by the Corporations Act and the Company's constitution.

Name:	Martin Brooke
Title:	Chief Financial Officer
Agreement commenced:	9 January 2017
Term of agreement:	Annual salary of $240,000 exclusive of statutory superannuation. Eligible for annual performace based bonus of $100,000. Company may terminate agreement on 3 months' notice or by providing cash payment equal to 3 months' pay.

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

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2017.

Options

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

Grant date	Expiry date	Exercise price	Fair value per option at grant date
14 December 2015	3 years from date of issue	$0.50	$0.290
14 December 2015	3 years from date of issue	$0.70	$0.260
5 December 2016	2 years from date of issue	$1.00	$0.267

The options above are fully vested.

Options granted carry no dividend or voting rights.

Performance rights

There were no performance rights over ordinary shares issued to directors and other key management personnel as part of compensation in the current financial year.

Long Term Incentive Program

The company plans to introduce a long term incentive program for its employees, and is currently developing such a program in conjunction with its advisors. Approval for the program will be sought at the company's AGM on 16 November 2017.

Additional disclosures relating to key management personnel.

Shareholding

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

	Balance at the start of the year	At appointment date	Conversion from performance shares	Net Additions/ (Disposals)	Balance at the end of the year
Ordinary shares					
Philip Crutchfield	4,200,000	–	–	460,000	4,660,000
Larry Diamond[(1)]	61,117,263	–	–	–	61,117,263
Peter Gray[(1)]	20,006,105	–	–	–	20,006,105
Megan Quinn	–	–	–	–	–
Martin Brooke	–	–	–	50,000	50,000

(1) This includes "Net Vendor Shares" on completion of acquisition of zipMoney Holdings Pty Ltd.

Option holding

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

	Balance at the start of the year	Granted	Conversion to ordinary shares	Disposals/ other	Balance at the end of the year
Options over ordinary shares					
Philip Crutchfield	300,000	700,000	–	–	1,000,000
Megan Quinn	–	200,000	–	–	200,000

Performance rights holding

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

	Balance at the start of the year	At appointment	Conversion to ordinary shares during the year	Expired/ forfeited/ other	Balance at the end of the year
Performance rights over ordinary shares					
Larry Diamond	6,925,535	–	–	–	6,925,535
Peter Gray	2,285,775	–	–	–	2,285,775

This concludes the remuneration report, which has been audited.

SHARES UNDER OPTION

In addition to options held by directors, unissued ordinary shares of zipMoney Limited under option at the date of this report are as follows:

Expiry date	Exercise price	Number under option
30 November 2018	$0.75	525,000
30 November 2018	$0.10	643,000
31 December 2018	$0.20	5,000,000
		6,168,000

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

SHARES UNDER PERFORMANCE RIGHTS

Unissued ordinary shares of zipMoney Limited under performance rights at the date of this report are as follows:

Grant date	Expiry date	Number under rights
28 July 2015	17 September 2018[(1)]	13,330,000
28 July 2015	Hurdles unlikely to be met[(2)]	20,000,000
		33,330,000

(1) The performance rights including those held by directors will convert to ordinary shares upon the Company achieving pre-tax break-even for the first time in a consecutive three-month period by the expiry date.

(2) The company issued 20 million performance rights to Columbus Capital in 2015 in connection with the facilitation of an institutional financing facility ("Warehouse Facility"). The conversion of the performance rights are contingent on the achievement of a number of milestones relating to the closure and growth of the "Warehouse Facility". The provision of the Warehouse Facility" was not completed and accordingly the milestones are unable to be met.

The company is in the process of obtaining agreement from Columbus Capital to cancel the performance rights, subject to the approval of the company's shareholders at the next annual general meeting.

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

SHARES ISSUED ON THE EXERCISE OF OPTIONS

The following ordinary shares of zipMoney Limited were issued during the year ended 30 June 2017 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
15 December 2015	$0.10	557,000

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 company 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 Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 25 to the financial statements. Total amount paid for non-audit services for the year amounted to nil (2016: $12,000).

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 25 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF DELOITTE TOUCHE TOHMATSU

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

AUDITOR'S INDEPENDENCE DECLARATION

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

AUDITOR

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

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

On behalf of the directors,

Larry Diamond
Managing Director & Chief Executive Officer

23 August 2017

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

Tel: +61 2 9322 7000
Fax: +61 2 9255 8303
www.deloitte.com.au

The Board of Directors
zipMoney Limited
Level 35, 50 Bridge Street
Sydney NSW 2000

23 August 2017

Dear Board Members

zipMoney 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 zipMoney Limited.

As lead audit partner for the audit of the financial statements of zipMoney Limited for the financial year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Carlo Pasqualini
Partner, Chartered Accountants

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

All figures in $	Note	30 June 2017	30 June 2016 Restated*
REVENUE			
Total portfolio income	5	16,432,325	2,920,374
Other income	6	569,806	249,881
		17,002,131	3,170,255
EXPENDITURE			
Administration expenses		(3,357,172)	(1,154,076)
Amortisation of intangibles	14	(1,699,491)	(571,541)
Bank fees		(1,343,304)	(157,906)
Consulting fees		(1,012,459)	(96,596)
Data costs		(1,082,990)	(372,798)
Depreciation	12	(193,236)	(2,932)
Doubtful debts expense	11	(5,288,880)	(1,394,708)
Fair value adjustment on convertible notes		–	(525,000)
Finance costs		(11,545,010)	(1,965,833)
Listing expenses		–	(2,274,511)
Occupancy expenses		(816,133)	(168,329)
Recruitment costs		(584,555)	(81,192)
Salaries and employee benefits expense		(7,593,310)	(1,779,243)
Share-based payments	33	(3,233,125)	(1,593,049)
LOSS BEFORE INCOME TAX		(20,747,534)	(8,967,459)
Income tax benefit	8	556,946	–
LOSS AFTER INCOME TAX BENEFIT FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF ZIPMONEY LIMITED	21	(20,190,588)	(8,967,459)
Other comprehensive income for the year, net of tax		–	–
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF ZIPMONEY LIMITED		(20,190,588)	(8,967,459)
Basic and diluted (loss) per share (cents)	32	(8.58)	(6.18)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

* Certain amounts have been restated as set out in note 34.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

All figures in $	Note	30 June 2017	30 June 2016 Restated*
ASSETS			
Cash and cash equivalents	9	19,214,261	7,089,478
Other receivables	10	395,140	128,822
Customer receivables	11	143,831,709	38,112,587
Property, plant and equipment	12	502,024	71,977
Goodwill	13	4,548,276	–
Other Intangible assets	14	6,059,942	1,530,254
TOTAL ASSETS		174,551,352	46,933,118
LIABILITIES			
Trade and other payables	16	2,600,284	3,948,358
Deferred R&D tax incentives	17	98,880	154,336
Contingent consideration	19	337,200	–
Borrowings	18	159,322,606	31,046,979
Employee provisions		567,065	247,940
TOTAL LIABILITIES		162,926,035	35,397,613
NET ASSETS		11,625,317	11,535,505
EQUITY			
Issued capital	20	37,066,688	19,409,691
Share-based payments reserve		4,335,903	1,712,500
Accumulated losses	21	(29,777,274)	(9,586,686)
TOTAL EQUITY		11,625,317	11,535,505

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

* Certain amounts have been restated as set out in note 34.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

All figures in $	Note	Issued Capital	Share Based Payments Reserve	Accumulated Losses	Total
BALANCE AT 1 JULY 2015		423,190	–	(619,227)	(196,037)
Loss for the year		–	–	(7,089,753)	(7,089,753)
TOTAL COMPREHENSIVE LOSS		–	–	(7,089,753)	(7,089,753)
Shares issued during the period		19,983,994	–	–	19,983,994
Costs of Issue		(997,493)	–	–	(997,493)
BALANCE AT 1 JULY 2016 – PREVIOUSLY REPORTED		19,409,691	–	(7,708,980)	11,700,711
Prior period adjustment		–	1,712,500	(1,877,706)	(165,206)
BALANCE AT 1 JULY 2016 – RESTATED*		19,409,691	1,712,500	(9,586,686)	11,535,505
Loss for the period		–	–	(20,190,588)	(20,190,588)
TOTAL COMPREHENSIVE LOSS		–	–	(20,190,588)	(20,190,588)
Shares issued during the period		11,184,792	–	–	11,184,792
Recognition of share-based payments		–	2,623,403	–	2,623,403
Issue of ordinary shares under share-based payments plan		1,845,662	–	–	1,845,662
Shares issued as consideration for the acquisition of Pocketbook	19	5,300,317	–	–	5,300,317
Costs of Issue		(673,774)	–	–	(673,774)
BALANCE AT 30 JUNE 2017		37,066,688	4,335,903	(29,777,274)	11,625,317

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

* Certain amounts have been restated as set out in note 34.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

All figures in $	Note	30 June 2017	30 June 2016 Restated*
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operations		16,950,686	3,324,591
Payments to suppliers and employees		(14,966,115)	(3,927,087)
Interest paid		(9,563,276)	(1,249,158)
Net cash used in operating activities	31	(7,578,705)	(1,851,654)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(622,495)	(48,817)
Payments for intangible assests	14	(2,657,619)	(1,326,408)
Payments to acquire businesses net of cash acquired	19	(1,870,130)	–
Proceeds from acquisition of subsidiary	3	–	205,971
Net movement in receivables		(112,458,248)	(34,961,959)
Net cash used in investing activities		(117,608,492)	(36,131,213)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issue of shares	20	10,874,231	15,876,469
Share issue transaction costs		(673,774)	(684,576)
Borrowings transaction costs		(1,988,477)	–
Proceeds from borrowings		129,100,000	29,105,000
Repayment of shareholder loans		–	(250,000)
Net cash from financing activities		137,311,980	44,046,893
Net increase in cash and cash equivalents		12,124,783	6,064,026
Cash and cash equivalents at the beginning of the year		7,089,478	1,025,452
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	9	19,214,261	7,089,478

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

* Certain amounts have been restated as set out in note 34.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION OF THE FULL-YEAR FINANCIAL REPORT

a. Basis of Accounting

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Going concern

The Directors have prepared the financial report on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The statement of profit or loss and other comprehensive income for the year ended 30 June 2017 reflects a consolidated Group loss after tax of $20,190,588. The statement of cash flows for the year ended reflects net cash used in operations of $7,578,705.

The Directors have reviewed cash flow forecasts for the Group through to 31 August 2017. The cash flow forecast indicates that the Group will have sufficient funding to operate as a going concern during the forecast period.

The Directors have concluded that it is appropriate to prepare the financial statements on the going concern basis, as they are confident that the Group will be able to pay its debts as and when they become due and payable from operating cash flows and available finance facilities.

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 Group not continue as a going concern.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1(r).

Adoption of new and revised Accounting Standards

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2017 are presented below. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace AASB 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. The Group does not have any hedging arrangements in place. New impairment requirements will use an 'expected credit loss' model to recognise an allowance. The Group will adopt this standard from 1 July 2018 and the financial impact of its adoption has not yet been finalised.

Impairment

The new impairment model in AASB 9 is now based on an 'expected loss' model rather than an 'incurred loss' model.

A complex three stage model applies to debt instruments at amortised cost or at fair value through other comprehensive income for recognising impairment losses.

A simplified impairment model applies to customer receivables with maturities that are less than 12 months.

For customer receivables with maturity longer than

12 months, entities have a choice of applying the complex three stage model or the simplified model.

The entity has both long term and short term customer receivables. When this standard is adopted, the entity's loss allowance on customer receivable may change.

The change is applied retrospectively, however comparatives need not be retrospectively restated. Instead, the cumulative effect of applying the change for the first time is recognised as an adjustment to the opening balance of retained earnings on 1 July 2018.

AASB 15 Revenue from Contracts with Customers

These amendments must be applied for annual reporting periods beginning on or after 1 January 2018. Therefore application date for the Company will be 30 June 2019.

An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under AASB 118.

The Company has not yet made an assessment of the impact of this standard.

AASB 16 Leases

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

There are some optional exemptions for leases with a period of 12 months or less and for low value leases. The application date of this standard is for annual reporting periods beginning on or after 1 January 2019. The group has not yet made a detailed assessment of the impact of this standard.

b. Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 28.

c. Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of zipMoney Limited ('company' or 'parent entity') as at 30 June 2017 and the results of all subsidiaries for the year then ended. zipMoney Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The Group 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 de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

d. 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 Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group 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 amounts of identifiable assets and the liabilities assumed. Acquisition-related costs are recognised in profit or loss as incurred.

Where the consideration transferred by the Group 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. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments 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.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as a liability is remeasured at subsequent reporting dates in accordance with AASB 139 'Financial Instruments: Recognition and Measurement, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group 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.

e. Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

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

f. Income Tax

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

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

- When the deferred income 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, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

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

g. Trade and other accounts payable

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

h. Recoverable Amount of Assets

The carrying amounts of assets are reviewed annually by Directors to ensure they are not in excess of the recoverable amounts from those assets. The recoverable amount is assessed on the basis of the expected net cash flows, which will be received from the assets employed and subsequent disposal. The expected net cash flows have been or will be discounted to present values in determining recoverable amounts.

i. Operating Revenue

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

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

j. Issued Capital

Ordinary shares are classified as equity.

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

k. Cash and cash equivalents

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

l. Trade and other receivables

Other receivables are recognised at amortised cost, less any provision for impairment.

m. Segment Reporting

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

n. Employee benefits

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

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

Share-based payments

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

Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

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

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

o. Intangible assets

Software development asset

Software development costs are capitalised only when:

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

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

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

Acquired Intangible Assets

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

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

p. Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

q. Borrowings

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

r. Critical accounting estimates and judgements

In preparing this Financial 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.

Significant accounting estimates and assumptions

Revenue recognition

The Group recognises revenue on customer receivables using effective interest rate method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. In making their judgement around estimated future cashflows and expected life of the customer receivables balance, the directors have considered the historical repayment pattern of the customer receivables on a portfolio basis. These estimates require significant judgment which will be reviewed on an ongoing basis and where required, appropriate adjustments will be made in future reporting periods.

Provision for doubtful debts

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key sources of estimation uncertainty relate to the doubtful debts of loans receivable. The impairment of personal loans requires the consolidated entity to assess impairment regularly. The credit provision raised represents management's best estimate of losses incurred in the loan portfolio at reporting date based on their experienced judgement. 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. Refer to note 23 for further details.

Business combinations

The Group measures the carrying values of intangibles acquired in a business combination by reference to the fair value as at acquisition date less related amortisation based on expected useful lives. The fair value is determined based on a methodology adopted involving subjective underlying assumptions, including replacement costs, cash flow forecasts, discount rates and assessment of useful lives.

s. Financial Instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Portfolio income is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

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

t. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of zipMoney 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. Foreign currencies

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

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

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

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

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

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

w. Acquisition of zipMoney

The merger in the previous financial year has been recorded under the reverse acquisition principles which results in the Legal Parent (in this case, zipMoney Limited (formerly Rubianna Resources Ltd) being accounted for as the subsidiary, while the Legal Acquiree (in this case, zipMoney Payments group), being accounted for as the parent. Under the reverse acquisition principles, the consideration to be provided by zipMoney was determined to be $2,572,525 (based on the 8.2 cents post consolidated market price, which is the fair value of the 31,372,009, shares owned by the former Rubianna shareholders as at the date of acquisition (in the absence of being able to ascribe a fair value to the shares in zipMoney).

The excess of fair value of the shares owned by the former Rubianna shareholders and the fair value of the identifiable net assets of Rubianna immediately prior to the completion of the merger is to be accounted for under "AASB 2: Share-based Payment" (AASB 2) as an expense described as Listing Expenses (the cost of going public) and is expensed to the statement of profit or loss and other comprehensive income. The net assets of Rubianna will be recorded at fair value at the completion of the merger. No adjustments are expected to be required to the historical book values.

The implications of the acquisition by zipMoney Payments Group on the financial statements are as follows:

i. Statement of profit or loss and other comprehensive income:

- The 2016 statement of profit or loss and other comprehensive income comprises transactions for the financial year for the 12 months from zipMoney Payments group for the year ended 30 June 2016 and the period from 11 September 2015 until 30 June 2016 for zipMoney Limited.

ii. Statement of financial position :

- The 2016 Statement of financial position as at 30 June 2016 represents the combination of zipMoney Payments Group and ZipMoney Ltd (Rubianna).

iii. Statement of changes in equity :

- The 2016 Statement of changes in equity comprises:
  - The equity balance of zipMoney Payments Group as at the beginning of the financial year (1 July 2015).
  - The total comprehensive income for the financial year and transactions with equity holders, being the full financial year from zipMoney Payments Group for the year ended 30 June 2016 and the period from 11 September 2015 to 30 June 2016 for ZipMoney Ltd (Rubianna).
  - The equity balance of the combined zipMoney Payments Group and ZipMoney Ltd (Rubianna) at the end of the financial year (30 June 2016).

iv. Statement of cash flows

- The 2016 Statement of cash flows comprises:
  - The cash balance of zipMoney Payments Group at the beginning of the financial year (1 July 2015).
  - The transactions for the financial year for the 12 months from zipMoney Payments Group for the year ended 30 June 2016 and the period from 11 September 2015 until 30 June 2016 for ZipMoney Ltd (Rubianna).
- The cash balance of the combined zipMoney Payments Group and ZipMoney Ltd (Rubianna) at the end of the year (30 June 2016).

v. Earning per share calculation

- The weighted average number of shares outstanding for the year ended 30 June 2016 is based on the weighted average number of shares of ZipMoney Payments Pty Ltd that are outstanding from the beginning of the period to the date of the acquisition that the number of shares is multiplied by the exchange ratio established in the acquisition and added to the actual number of shares of ZipMoney Limited outstanding in the period following the acquisition.

x. Convertible Notes (refer note 2 below)

Convertible notes that can be converted to share capital at the option of the holder and where the number of shares is variable, contains an embedded derivative liability.

These convertible notes are recognised as financial liabilities at fair value through profit or loss. On initial recognition, the fair value of the convertible note will equate to the proceeds received and subsequently the liability is measured at fair value at each reporting period until settlement. The fair value movements are recognised on the profit and loss as finance costs.

y. Government grants / Research and development tax incentives

Grants from the government (such as research and development tax incentives) are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. Government grants are initially recognised as deferred income and is recognised in the profit or loss on a systematic basis over the useful life of the underlying asset it relates to.

NOTE 2: FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value hierarchy

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

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

Description	Valuation approach	Unobservable inputs	Range of inputs	Relationship between unobservable inputs and fair value
Convertible note with automatic conversion feature to zipMoney Limited's shares	The fair value is determined based on the latest public offering share price and the probability of the automatic conversion feature occurring.	Fluctuations in share price and probability of acquiring zipMoney.	Share price of zipMoney Limited on issue of the convertible note was 2 cents compared to 25 cents on conversion of the convertible note.	The higher the share price the higher the liability to record and the greater the impact on profit and loss.

Reconciliation of level 3 movements

The following table sets out the movements in level 3 fair values for contingent consideration payable.

	$
Opening balance 1 July 2015	350,000
Fair value at conversion – Convertible note was settled with the issue of 3,500,000 zipMoney Limited shares	(875,000)
Recognised losses recognised in profit or loss	525,000
Closing balance 30 June 2016	–

NOTE 3: SHARE BASED PAYMENT ACQUISITION

On 11 September 2015 zipMoney Limited (formerly Rubianna Resources Limited) completed the acquisition of zipMoney Holdings Pty Ltd and its subsidiary zipMoney Payments Pty Ltd ("zipMoney Payments Group"). Under the Australian Accounting Standards zipMoney Payments Group was deemed to be the accounting acquirer in this transaction. The acquisition has been accounted for as a share based payment by which zipMoney Payments Group acquires the net assets and listing status of zipMoney Limited (formerly Rubianna Resources Limited).

Note 3(a): Deemed Consideration for reverse acquisition

The deemed consideration was the issue of 55,000,000 shares and 75,000,000 class A performance shares in zipMoney Ltd (legal parent) to the shareholders of zipMoney Payments Group and is deemed to have a value of $2,572,525. In addition, 3,300,000 shares were issued to advisors of the transaction relating to services for facilitating the transaction. These shares had a value of $660,000 which was based on the fair value of services provided and have been included as a transaction cost, as part of the listing expense below.

Note 3(b): Deemed zipMoney share capital and reserves

	$
Historical issued capital balance 30 June 2015	11,611,777
Historical reserves balance 30 June 2015	532,811
Elimination of zipMoney Limited issued capital and reserves	(12,144,588)
Deemed consideration on acquisition	2,572,525
Total zipMoney share capital on completion	2,572,525

Note 3(c): zipMoney Limited Retained Losses Pre-completion

	$
Historical balance 30 June 2015	(11,108,849)
Losses from 1 July 2015 to 11 September 2015	(77,725)
Elimination of zipMoney Limited losses	11,186,574
Deemed consideration on acquisition	2,572,525
Less net assets zipMoney Limited pre-acquisition	(958,014)
Total zipMoney Limited losses on completion	1,614,511
Facilitation shares	660,000
Total listing expense	2,274,511

Note 3(d): Assets and liabilities acquired (at fair value at the date of acquisition)

	$
Cash and cash equivalents	205,971
Current assets	426,409
Secured loans	800,000
Current liabilities	(474,366)
Net identifiable assets acquired	958,014

75,000,000 Class A Performance Shares issued to vendors on the completion of the acquisition. These performace shares were issued to all the venders based on relative proportion of their share holding in zipMoney Payments Group.

Each Class A Performance share is convertible to one (1) fully paid ordinary share in the Capital of zipMoney upon the following milestones being achieved:

i. Milestone 1 – 30,840,000 performance shares converted upon achieving an aggregate transaction volume in excess of $10,000,000 by 12 months from zipMoney being readmitted to the ASX;

ii. Milestone 2 – 30,830,000 performance shares converted upon achieving an aggregate transaction volume in excess of $20,000,000 by 24 months from zipMoney being readmitted to the ASX; and

iii. Milestone 3 – 13,330,000 performance shares will convert upon achieving pre-tax break-even for the first time each calendar year in a consecutive three calendar month period by or before 36 months after zipMoney being readmitted to the ASX.

4,769,757 Class B Performance Shares were issued to Avitus Capital Pty Ltd under the advisor offer on the completion of the acquisition.

As at 30 June 2017 both Milestone 1 and 2 have been achieved.

Each Class B Performance share is convertible to one (1) fully paid ordinary share in the Capital of zipMoney upon the following milestones being achieved:

i. Milestone 1 – 2,384,879 million performance shares converted upon zipMoney achieving aggregate transaction volume in excess of $10,000,000 by 12 months from zipMoney being readmitted to the ASX; and

ii. Milestone 2 – 2,384,878 million performance shares converted upon zipMoney achieving aggregate transaction volume in excess of $20,000,000 by 24 months from zipMoney being readmitted to the ASX.

As at 30 June 2017 both Milestone 1 and 2 have been achieved.

NOTE 4: SEGMENT INFORMATION

Management has determined that the consolidated entity has one reporting segment being the provision of financial products and payment solutions to consumers, and providing a variety of integrated solutions to small, medium and enterprise merchants across numerous industries, both online and in-store

The internal reporting framework is based on the principal activity as discussed above and is the most relevant to assist the Board with making decisions regarding the consolidated entity and its ongoing growth.

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

The Group operates predominantly in Australia, and during the year commenced operations in New Zealand. At this stage the Groups operations in New Zealand are immaterial in the context of the Groups overall revenue and assets.

NOTE 5: REVENUE

	2017 $	2016 Restated $
Portfolio income	16,432,325	2,920,374

The consolidated entity generates income from a combination of merchant fees, establishment fees, monthly service fees, interest revenue, and late fees. As set out in note 1i, the consolidated entity uses the "effective interest rate" method to account for portfolio income.

NOTE 6: OTHER INCOME

	2017 $	2016 $
Interest income from financial institutions	147,446	47,947
Gain on disposal of property, plant and equipment	–	25,643
R&D tax incentives	295,659	176,291
Other	126,701	–
	569,806	249,881

NOTE 7: EXPENSES

	2017 $	2016 Restated $
Loss before income tax includes the following specific expenses:		
Amortisation of Intangibles:		
Amortisation of acquired intangibles	525,300	–
Amortisation of internally generated intangibles	1,174,191	571,541
Superannuation expense:		
Defined contribution superannuation expense	569,077	230,665
Share-based payments expense:		
Share-based payments expense	3,233,125	1,593,049
Finance costs:		
Interest expense	10,280,907	1,466,354
Amortisation of funding costs	1,264,103	499,479
Fair value adjustment on convertible notes	–	525,000

NOTE 8: INCOME TAX BENEFIT

	2017 $	2016 Restated $
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax benefit	(20,747,534)	(8,967,459)
Tax at the statutory tax rate of 30%	(6,224,260)	(2,690,238)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	1,226,813	613,794
Non-deductible expenses	362,677	169,715
R&D tax incentives	(89,459)	(52,887)
Listing expenses	–	682,353
Finance costs	–	157,500
	(4,724,229)	(1,119,763)
Current year tax losses not recognised	3,699,952	720,779
Current year temporary differences not recognised	467,331	398,984
	(556,946)	–

Temporary differences have been recognised to the extent of the deferred income tax liability arising on the acquisition of Pocketbook (Note 19).

Refer to Note 15 for further details on unrecognised tax losses and deferred tax not brought into account.

NOTE 9: CASH AND CASH EQUIVALENTS

	2017 $	2016 $
Cash at bank	19,214,261	7,089,478

Included in the cash at bank is restricted cash of $12,589,341 (2016:$588,420). Refer to Note 23 for the related financial risk management objective.

NOTE 10: OTHER RECEIVABLES

	2017 $	2016 $
Other receivables - deposits and prepayments	395,140	128,822

NOTE 11: CUSTOMER RECEIVABLES

	2017 $	2016 Restated $
Gross customer receivables	152,038,565	40,712,179
Less: Unearned income	(3,645,356)	(1,378,227)
Less: Provision for doubtful debts	(4,561,500)	(1,221,365)
	143,831,709	38,112,587

The Group recognises an allowance for doubtful debts based on estimated irrecoverable amounts determined by reference to past default experience of the portfolio of customers. The Group writes off 100% of all receivables over 180 days because historical experience has been that receivables that are past due beyond 180 days are generally not recoverable.

Before accepting any new customer, the Group uses a comprehensive credit scoring system to assess the potential customer's credit quality and defines credit limits by customer.

The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

Movements in the provision for impairment of receivables are as follows:

	2017 $	2016 $
Opening balance	1,221,365	86,802
Provisions recognised during the year to profit or loss	5,288,880	1,394,708
Receivables written off during the year as bad debts	(1,948,745)	(260,145)
Closing balance	4,561,500	1,221,365

Refer to note 23 for the related financial risk management objective.

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

	2017 $	2016 $
Carrying amounts of		
Computer equipment	349,364	61,196
Leasehold improvements	152,660	10,781
	502,024	71,977

	Computer Equipment $	Leasehold Improvements $	Total $
Cost			
Balance at 1 July 2015	33,114	6,438	39,552
Additions	43,981	4,836	48,817
Balance at 30 June 2016	77,095	11,274	88,369
Acquisitions through business combinations (Note 19)	3,871	–	3,871
Additions	432,214	190,281	622,495
Balance at 30 June 2017	513,180	201,555	714,735

	Computer Equipment $	Leasehold Improvements $	Total $
Accumulated depreciation			
Balance at 1 July 2015	13,240	220	13,460
Additions	2,659	273	2,932
Balance at 30 June 2016	15,899	493	16,392
Acquisitions through business combinations (Note 19)	3,083	–	3,083
Additions	144,834	48,402	193,236
Balance at 30 June 2017	163,816	48,895	212,711

NOTE 13: GOODWILL

	2017 $	2016 $
Cost	4,584,276	–
Less : Accumulated impairment losses	–	–
	4,584,276	–

Reconciliations

Reconciliations of the carrying amount at the beginning and end of the current and previous financial year are set out below:

	Cost $
Balance at 1 July 2016	–
Amount recognised on business combination in the year	4,584,276
Balance at 30 June 2017	4,584,276

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

The recoverable amount has been based on value in use calculations which uses cash flow projections covering a five year period and a post tax discount rate of 18.9%. The discount rate reflecting an estimate of the equity cost of capital.

Cash flows beyond the five year period have been extrapolated using a steady 5% annual growth rate.

NOTE 14: OTHER INTANGIBLE ASSETS

	2017 $	2016 Restated $
Carrying amounts of		
Brand names and trademarks	161,851	782
Customer database	391,000	–
IT development and software	5,507,091	1,529,472
	6,059,942	1,530,254

	Brand Names and Trademarks $	Customer Database $	IT Development and Software $	Total $
Cost				
Balance at 1 July 2015	–	–	856,115	856,115
Additions	782	–	1,325,626	1,326,408
Balance at 30 June 2016	782	–	2,181,741	2,182,523
Acquisitions through business combinations (Note 19)	179,970	460,000	2,965,430	3,605,400
Additions	7,649	–	2,649,970	2,657,619
Balance at 30 June 2017	188,401	460,000	7,797,141	8,445,542

	Brand Names and Trademarks $	Customer Database $	IT Development and Software $	Total $
Accumulated amortisation				
Balance at 1 July 2015	–	–	80,728	80,728
Additions	–	–	571,541	571,541
Balance at 30 June 2016	–	–	652,269	652,269
Acquisitions through business combinations (Note 19)	–	–	33,840	33,840
Additions	26,550	69,000	1,603,941	1,699,491
Balance at 30 June 2017	26,550	69,000	2,290,050	2,385,600

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

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

NOTE 15: DEFERRED TAX NOT RECOGNISED

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

	2017 $	2016 Restated $
Deferred tax assets comprises temporary differences attributable to:		
Tax losses	4,138,383	759,735
Timing differences	916,569	449,238
	5,054,952	1,208,973

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

Tax losses include an adjustment in respect of losses brought forward from prior years amounting to $321,304.

NOTE 16: TRADE AND OTHER PAYABLES

	2017 $	2016 $
Trade payables	1,093,568	1,912,764
Interest payable	934,825	217,196
Accrued share-based payments	–	1,546,500
Other payables and accruals	571,891	271,898
	2,600,284	3,948,358

Refer to note 23 for further information on financial instruments.

NOTE 17: DEFERRED R&D TAX INCENTIVES

	2017 $	2016 $
Deferred R&D tax incentive	98,880	154,336

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

NOTE 18: BORROWINGS

Borrowings and securitisation warehouse

The Company sells customer receivables to a number of special purpose securitisation warehouses (zipMoney Trusts 2015-1, 2017-1, 2017-2) through its asset-backed securitisation program. The special purpose vehicles are consolidated as the Group is exposed or has rights to variable equity returns and has the ability to affect its returns through its power over the securitisation vehicles. The Group may serve as a sponsor, server, liquidity provider, purchaser of notes and/or purchaser of residual interest units.

	2017 $	2016 Restated $
Class A Notes	108,500,000	25,000,000
Class B Notes	52,860,000	7,260,000
Less : Unamortised costs	(2,037,394)	(1,213,021)
	159,322,606	31,046,979

Unamortised costs relate to loan facility costs incurred in arranging the funding programs entered into by the Company. Loan facility costs are amortised over the term of the underlying funding program.

Refer to note 23 for further information on financial instruments.

Total secured liabilities

The total secured liabilities are as follows:

	2017 $	2016 $
Class A Notes	108,500,000	25,000,000
Class B Notes	52,860,000	7,260,000
	161,360,000	32,260,000

Assets pledged as security

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

	2017 $	2016 Restated $
Customer receivables(1)	143,831,709	38,112,587
Cash held by securitisation warehouse	12,589,341	588,420
	156,421,050	38,701,007
Borrowings related to receivables(2)	162,360,000	33,260,000

(1) The amount recognised above represents the carrying value of the customer receivables held by the zipMoney Trusts and is net of provisions for doubtful debts and unearned future income.

(2) Including Class C Notes held by zipMoney Payments Pty Ltd.

Financing arrangements

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

	2017 $	2016 $
Total facility size		
Total facility size - securitisation warehouse	402,860,000	107,429,000
Total facility size - working capital	10,000,000	–
Used at the reporting date		
Used facility - securitisation warehouse	155,360,000	32,260,000
Used facility - working capital	6,000,000	–
Unused at the reporting date		
Unused facility - securitisation warehouse	247,500,000	75,169,000
Unused facility - working capital	4,000,000	–

Terms of the facilities

The company has three securitisation warehouses in place.

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

At balance date the zipMoney Trust 2015-1 had $130 million in committed Class A wholesale debt financing, and $9.5 million Class B, with a term maturing on 17 November 2017. The facility Is interest only with the outstanding balance payable on maturity. The facility is secured against the underlying pool of receivables with limited credit recourse back to zipMoney.

At balance date the zipMoney Trust 2017-1 had $240 million in committed Class A and B wholesale debt financing with a term maturing on 10 May 2019. The facility is secured against the underlying pool of receivables with no credit recourse back to zipMoney.

At balance date the zipMoney Trust 2017-2 had $30 million in committed Class A wholesale debt financing, and $3.36 million Class B with a term maturing on 29 December 2017. The facility Is available to both fund customer receivables and as a source of working capital funding to the company. The facility is secured against the underlying pool of receivables and by way of corporate guarantee provided by the parent zipMoney Limited.

zipMoney Payments Pty Ltd is the trust manager and servicer to the securitisation program.

NOTE 19: ACQUISITION OF POCKETBOOK

On 12 September 2016, zipMoney Limited completed the acquisition of Pocketbook Holdings Pty Ltd and its subsidiaries ('Pocketbook'). Pocketbook is a personal financial management application.

Pocketbook was acquired to support the Group's strategy to create a new financial services model which empowers consumers to make better financial decisions. Had the revenue and results of Pocketbook prior to the acquisition been included in the Group's results, the impact would not have been material.

The total consideration comprises:

- Initial cash consideration of $1,979,070;
- 7,310,782 new zipMoney shares valued at $4,020,930 at an issue price of 55 cents. At the time the shares were issued the share price was 72.5 cents and accordingly the payment has been recorded at $5,300,317 in accordance with accounting standards. The shares issued are subject to an 18-month escrow period for shares issued to the founding shareholders and a 6-months escrow period for the other Pocketbook shareholders. In addition, the transaction includes contingent consideration of up to an additional $1.5 million in zipMoney shares to be issued within approximately 24 months after completion, subject to various performance milestones being achieved and based on a 30-day VWAP prior to the achievement of each relevant performance milestones.

Contingent consideration includes both an equity and liability component.

The equity component amounting to $1,162,800 relates to the portion of purchase price payable to the previous owners of Pocketbook who have remained as employees of the Group. This component of the consideration will be recognised in the profit or loss over the period over which the contingent consideration can be earned. The expense charge of $710,601 for the current period is included in the share-based payments expense in the Statement of Profit or Loss and Other Comprehensive Income and recognised as share-based payments reserve in the Statement of Changes in Equity.

The liability component of the contingent consideration is included in the fair value of consideration transferred.

Details of the acquisition are as follows:

	Fair value* 2017 $
Details of the acquisition are as follows:	
Cash and cash equivalents	108,940
Trade and other receivables	10,747
Plant and equipment	787
Intangible asset	69,560
Trade and other payables	(66,777)
Deferred income tax liability	(556,946)
Net assets acquired	(433,689)
Acquired brand names	177,000
Acquired software	2,865,000
Acquired customer database	460,000
Goodwill	4,548,276
Acquisition-date fair value of the total consideration transferred	7,616,587
Representing:	
Cash paid to vendor	1,979,070
zipMoney Limited shares issued to vendor	5,300,317
Contingent consideration	337,200
	7,616,587
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	7,616,587
Less: cash and cash equivalents acquired	(108,940)
Less: contingent consideration	(337,200)
Less: shares issued by zipMoney as part of consideration	(5,300,317)
Net cash used	1,870,130

NOTE 20: ISSUED CAPITAL

	2017 Shares	2016 Shares	2017 $	2016 $
Ordinary shares – fully paid	238,673,009	208,223,529	37,066,688	19,409,691
Performance shares	33,330,000	33,330,000	–	–
	272,003,009	241,553,529	37,066,688	19,409,691

Movements in ordinary share capital

Details	Date	Shares	$
Balance	1 July 2015	1,797,131	423,190
Shares for acquisition of zipMoney, deemed consideration on acquisition[i]		55,000,000	–
Advisor shares		3,300,000	660,000
Conversion of Convertible Notes		3,500,000	875,000
Prospectus Applications		25,000,000	5,000,000
Achievement of Milestone 1 (Note 3)		33,224,879	–
Shares subscribed by Class A noteholder		5,000,000	1,000,000
10c options exercised		800,000	80,000
Shares in zipMoney on completion of acquisition		31,372,009	2,572,525
zipMoney Group shares eliminated on completion of acquisition		(1,797,131)	–
Achievement of Milestone 2 (Note 3)		33,214,878	–
Placement		17,811,763	9,796,469
Costs of issue during period		–	(997,493)
Balance	30 June 2016	208,223,529	19,409,691
Issue of shares – employee incentives		2,911,641	1,845,662
Issue of shares – placement		19,670,057	10,818,531
Issue of shares – exercise of options		557,000	366,261
Issue of shares – acquisition of Pocketbook		7,310,782	5,300,317
Costs of issue		–	(673,774)
Balance	30 June 2017	238,673,009	37,066,688

(i) Under the reverse acquisition principles, the consideration to be provided by zipMoney was determined to be $2,572,525 based on the 8.2 cents post consolidated market price, which is the fair value of the 31,372,009 owned by existing Rubianna Resources (zipMoney Limited) shareholders at the date of acquisition.

Movements in Performance Shares

Details	Date	Shares Number
Balance	30 June 2015	–
Vendor shares – 11 September 2015 (Note 3)		75,000,000
Advisor shares – 11 September 2015 (Note 3)		4,769,757
Strategic partner offer[1]		20,000,000
Achievement of Milestone 1 (Note 3)		(33,224,879)
Achievement of Milestone 2 (Note 3)		(33,214,878)
Balance	30 June 2016	33,330,000
Balance	30 June 2017	33,330,000

(1) The company issued 20 million performance shares to Columbus Capital in 2015 in connection with the facilitation of an institutional financing facility ("Warehouse Facility"). The provision of the "Warehouse Facility" was not completed and accordingly the milestones are unable to be met. The Company is in the process of obtaining agreement from Columbus Capital to cancel the performance shares, subject to the approval of the Company's shareholders at the next AGM.

The balance of 13,330,000 performance shares represent those shares that will be issued in the event Milestone 3, as set out in Note 3, is achieved. As at 30 June 2017, Milestone 3 had not been achieved.

Movements in options

Details	Date	Shares Number
Balance	1 July 2015	–
Options in zipMoney on completion		25,250,000
1 for 10 consolidations		(22,725,000)
Options issued relating to committed funding		5,000,000
10c options exercised		(800,000)
Balance	30 June 2016	6,725,000
Options issued to directors		1,200,000
10c options exercised		(557,000)
Balance	30 June 2017	7,368,000

Ordinary shares

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

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

Share buy-back

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

Capital risk management

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

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

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

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

NOTE 21: ACCUMULATED LOSSES

	2017 $	2016 Restated $
Accumulated losses at the beginning of the financial year	(9,586,686)	(619,227)
Loss after income tax benefit for the year	(20,190,588)	(8,967,459)
	(29,777,274)	(9,586,686)

NOTE 22: DIVIDENDS

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

NOTE 23: FINANCIAL INSTRUMENTS

Financial risk management objectives

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

Risk management is carried out by senior management under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. The senior management identifies and evaluates financial risks within the consolidated entity's operating units and report to the Board on a monthly basis.

Market risk

Foreign currency risk

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

Price risk

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

Interest rate risk

The consolidated entity's main interest rate risk arises from its borrowings. The company has a mixture of fixed and variable rate borrowings.

In the event of a +/- 1% movement in the BBSY, the consolidated entities interest expense would move by +/- $860,000.

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

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits prior to the customers joining the zipMoney platform.

The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The consolidated entity regularly reviews customer collections, and collections in arrears. 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 also regularly reviews the level of provision for doubtful debt to ensure that the level of provision is sufficient to mitigate the credit risk exposure in terms of financial reporting. The credit provision raised represents management's best estimate of losses incurred in the receivables portfolio at reporting date based on their experienced judgement.

The collective provision is estimated on the basis of historical loss experience for assets with similar credit characteristics by the consolidated entity and other companies with similar portfolios. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Customer receivables

The Group's customer receivable balances are high volume low value advanced to individual customers.

The table below provides information about customer receivables from customers by payment due status but not deemed to be impaired.

	2017 $	2016 $
61 to 180 days in arrears	4,462,886	536,189
Over 180 days in arrears	11,485	2,772

While the consolidated entity believes that the level of provision for doubtful debts provided in the financial statements is sufficient to address any potential write-off arising from the arrears above and therefore having minimal impact to the financial statements, the consolidated entity will continue to maximise its effort to minimise the risk of actual bad debts through its robust debtor management practices.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

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

Financing arrangements

Unused borrowing facilities at the reporting date is disclosed in note 18.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated – 2017	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Payables	–	2,600,284	–	–	–	2,600,284
Interest-bearing – variable rate						
Borrowings	5.49%	–	86,000,000	–	–	86,000,000
Interest-bearing – fixed rate						
Borrowings	14.27%	75,360,000	–	–	–	75,360,000
Total non-derivatives		77,960,284	86,000,000	–	–	163,960,284

Consolidated – 2016	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Payables	–	2,401,858	–	–	–	2,401,858
Interest-bearing – fixed rate						
Borrowings	12.00%	–	32,260,000	–	–	32,260,000
Total non-derivatives		2,401,858	32,260,000	–	–	34,661,858

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

Fair value of financial instruments

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

NOTE 24: KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation

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

	2017 $	2016 $
Short-term employee benefits	716,116	366,834
Post-employment benefits	67,167	27,074
Long-term benefits	23,707	32,150
Share-based payments	290,487	133,026
	1,097,477	559,084

NOTE 25: REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmastsu (2016: BDO Audit (WA) Pty Ltd), the auditor of the company:

	2017 $	2016 $
Audit services		
Audit and review of the financial statements	110,000	46,000
Agreed-upon procedures	–	11,200
Non audit services		
Tax consultancy	–	12,000
Total	110,000	69,200

NOTE 26: COMMITMENTS

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

	2017 $	2016 $
Operating lease commitments		
Not later than 1 year	393,505	109,661
Later than 1 year and not more than 5 years	–	219,322
More than 5 years	–	–
Total minimum lease payments	393,505	328,983

NOTE 27: RELATED PARTY TRANSACTIONS

Parent entity

zipMoney Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 29.

Key management personnel

Disclosures relating to key management personnel are set out in note 24 and the remuneration report included in the directors' report.

Transactions with related parties

There were no transactions with related parties during the current financial year. In the previous financial year the Group repaid a loan to Larry Diamond amounting to $250,000.

Receivable from and payable to related parties

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

Loans to/from related parties

As a Class B Noteholder in the zipMoney 2015-1 Trust Philip Crutchfield has lent the trust $100,000 on the same commercial terms as offered to each of the Class B Noteholders in the Trust .

Other than the above, there were no loans to/from related parties.

Terms and conditions

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

NOTE 28: PARENT ENTITY INFORMATION

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

Statement of profit or loss and other comprehensive income

	Parent	
	2017	2016
	$	$
Loss after income tax	(457,277)	(962,552)
Total comprehensive income	(457,277)	(962,552)

Statement of financial position

	Parent	
	2017	2016
	$	$
Total current assets	84,512	5,290,810
Total assets	40,987,240	18,780,383
Total current liabilities	391,931	245,696
Total liabilities	391,931	245,696
Equity		
Issued capital	48,255,274	30,073,278
Reserve	4,868,714	532,811
Accumulated losses	(12,528,679)	(12,071,402)
Total equity	40,595,309	18,534,687

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

During the year the parent entity agreed to provide a corporate guarantee to secure the funding facility of the zipMoney 2017-2 Trust. There are no other guarantees in place in relation to the debts of subsidiaries as at 30 Jun 2017, and there were no guarantees in place at 30 June 2016.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2017 and 30 June 2016.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2017 and 30 June 2016.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

NOTE 29: INTERESTS IN SUBSIDIARIES

(a) Ultimate parent

zipMoney Limited is the ultimate parent entity and the parent entity of the consolidated entity from a legal perspective. For accounting purposes, zipMoney Holdings Pty Ltd is the deemed ultimate parent of the consolidated entity in line with reverse acquisition accounting.

(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 2017 %	Ownership interest 2016 %
Legal parent			
zipMoney Limited	Australia		
Legal subsidiaries			
zipMoney Payments Pty Ltd	Australia	100%	100%
zipMoney Trust 2015-1 (1)	Australia	100%	100%
zipMoney Trust 2017-1 (1)	Australia	100%	–
zipMoney Trust 2017-2 (1)	Australia	100%	–
zipMoney Holdings Pty Ltd	Australia	100%	100%
zipMoney Securities Limited	Australia	100%	100%
Pocketbook Holdings Pty Ltd	Australia	100%	–
Pocketbook Australia Pty Ltd	Australia	100%	–
Pocketbook Technologies Pty Ltd	Australia	100%	–
zipMoney Payments (NZ) Limited	New Zealand	100%	100%

(1) Ownership is through zipMoney Payments Pty Ltd, which is both the Participation Unitholder and Residual Unitholder of zipMoney Trust 2015-1, zipMoney Trust 2017-1, and zipMoney Trust 2017-2

On 11 September 2015 zipMoney Limited (formerly Rubianna Resources Limited) completed the acquisition of zipMoney Holdings Pty Ltd and its subsidiary zipMoney Payments Pty Ltd ("zipMoney Payments Group").

Under the Australian Accounting Standards zipMoney Payments Group was deemed to be the accounting acquirer in this transaction as a result of the previous shareholders of zipMoney Payments Group becoming the major shareholders of the Group. The acquisition has been accounted for as a share based payment by which zipMoney Payments Group acquires the net assets and listing status of zipMoney Limited (formerly Rubianna Resources Limited).

Therefore while zipMoney Limited remains the legal parent of the consolidated entity, zipMoney Holdings Pty Ltd is the parent for the purpose of consolidating the financial statements.

NOTE 30: EVENTS AFTER THE REPORTING PERIOD

On 7 August 2017, the consolidated entity announced that Westpac Banking Corporation ("Westpac") had agreed to invest $40,000,000 in the Group through the issue of 49,382,716 new ordinary shares at a price of 81 cents per share. In addition Westpac was granted 9,800,000 Performance Options, subject to shareholder approval, exerciseable at 81 cents per share that vest based on the achievement of certain performance hurdles.

On 23 August 2017, the Company approved the issue of up to 1,690,000 ordinary shares to its employees under the Company's Employee Share Plan for their performance in the 2017 financial year. This share based payment has been included in the financial statements.

Other than the above, there has been not been any other matter or circumstance subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

NOTE 31: RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

	2017 $	2016 Restated $
Loss after income tax benefit for the year	(20,190,588)	(8,967,459)
Adjustments for:		
Depreciation and amortisation expense	1,892,727	574,473
Doubtful debt expense	5,288,880	1,394,708
Fair value adjustment on convertible notes	–	525,000
Amortisation of funding costs	1,264,103	499,479
Listing expense	–	2,274,511
Share based payment	3,233,125	1,593,049
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(255,571)	80,044
Increase/(decrease) in trade and other payables	1,454,350	(14,681)
Decrease in deferred tax liabilities	(556,946)	–
Increase in provisions	291,215	189,222
Net cash used in operating activities	(7,578,705)	(1,851,654)

NOTE 32: EARNINGS PER SHARE

	2017 $	2016 Restated $
Loss after income tax attributable to the owners of zipMoney Limited	(20,190,588)	(8,967,459)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	235,260,772	145,139,798
Weighted average number of ordinary shares used in calculating diluted earnings per share	235,260,772	145,139,798

	Cents	Cents Restated
Basic earnings per share	(8.58)	(6.18)
Diluted earnings per share	(8.58)	(6.18)

NOTE 33: SHARE-BASED PAYMENTS

In December 2015, Philip Crutchfield, the Company's Chairman, was issued 150,000 options exercisable at 50 cents and 150,000 options exercisable at 70 cents and expires 3 years from the date of issue. These options were approved at the AGM in November 2016. The fair value of these options were valued using Black-Scholes model using the following assumptions:

	Option exercisable at $0.50	Option exercisable at $0.70
Grant date:	5 December 2016	5 December 2016
Share price at grant date:	$0.47	$0.47
Risk free rate:	2.66%	2.66%
Expiry period:	3 years	3 years
Dividend yield:	0%	0%
Fair value per option:	$0.48	$0.41

Based on the above, the options expense attributable to the year ended 30 June 2016 was determined to be $133,026.

At the Company's AGM In November 2016, approval was given for the issue of a further 700,000 options exercisable at $1.00 to Philip Crutchfield, Company's Chairman, and 200,000 options exercisable at $1.00 to Megan Quinn, Non Executive Director. The fair value of these options were valued using Black-Scholes model using the following assumptions:

	Option exercisable at $1.00
Grant date:	5 December 2016
Share price at grant date:	$0.78
Risk free rate:	1.94%
Expiry period:	2 years
Dividend yield:	0%
Fair value per option:	$0.27

Based on the above, an option expense of $240,487 was recognized in the year to 30 June 2017.

In June 2016, the Board decided to reward its employees for their contribution to the performance of the group by granting them 2,494,355 ordinary shares. These shares were valued at $1,546,500 and were issued on 26 July 2016. These shares vest immediately at grant date and were issued under the Employee Performance Share Plan.

In August 2017, the Board decided to reward its employees for their contribution to the performance of the group by granting them up to 1,690,000 ordinary shares. These shares were valued at $0.76, vest immediately at grant date and will be issued under the Employee Performance Share Plan.

NOTE 34: PRIOR PERIOD RESTATEMENT

The Group has restated the prior period comparatives to reflect certain prior period adjustments.

	Reported	Adjustment		Restated
	$	$	$	$
		34 (a)	34 (b)	
YEAR ENDED 30 JUNE 2016				
Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016				
Revenue (portfolio income)	4,298,601	(1,378,227)	–	2,920,374
Finance costs (Interest expense)	1,466,354	–	499,479	1,965,833
Statement of Changes in Equity for the year ended 30 June 2016				
Reserves	–	–	1,712,500	1,712,500
Accumulated losses	7,708,980	1,378,227	499,479	9,586,686
Statement of Financial Position as at 30 June 2016				
Customer receivables	39,490,814	(1,378,227)	–	38,112,587
Borrowings	32,260,000	–	(1,213,021)	31,046,979

Note 34(a): Prior period restatement – Revenue Recognition

Previous accounting policy

The Group previously adopted the following accounting policy in relation to Merchant fees, Establishment fees and Monthly fee revenue.

Merchant fees

Merchant fees are recognised as revenue at the point of sale, which is where the customer has taken delivery of the goods from the supplier, the risk and rewards associated with the goods and services are transferred to the customer and there is a valid sales contract.

Establishment fees

Establishment fees are recognised once a customer has been established and joins the zipMoney platform. The establishment fees is paid by the customer to cover administrative work including but not limited to credit and identify checks.

Monthly fee revenue

Under the contract with the customer, zipMoney is entitled to a fixed monthly fee if a customer has an outstanding balance with the company.

Revised accounting policy adopted

Based on the customer repayment profile and the availability of additional data in relation to the loan book portfolio, the Group has reassessed its revenue recognition policy in relation to Merchant fees, Establishment fees and Monthly fee revenue.

The Group considers all of these fees as portfolio interest income that is integral to the effective interest rate on the loan receivable balance. These fees are now being recognised in the profit or loss using the effective interest method over the expected loan repayment period.

The effective interest rate is the rate that exactly discounts payments or receipts through the expected life of the financial instrument.

The net impact of the Group's revised revenue recognition policy resulted in a decrease in revenue of $1,378,227 for the year ended 30 June 2016.

Note 34(b): Prior period restatement – Recognition of share-based payments

During the previous financial year Victory Park Capital (VPC) subscribed to 5,000,000 shares and 5,000,000 options which was conditional upon the signing of the $100 million notes subscription facility. The facility was obtained in November 2015.

The Group did not recognise the fair value of the 5,000,000 options issued to VPC in the previous financial year.

In accordance with AASB 2 'Share-based payments', the Group has now recognised the fair value of options at grant date which is recorded as a prior period adjustment.

The fair value of the options was determined at 34.25 cents using the Black-Scholes valuation model. A share-based payment amounting to $1,712,500 has been recognised at grant date and the amount of $499,479, being the amortisation charge for the prior period, has been reported as a restatement in the prior year financial statements. The unamortised loan facility cost of $1,213,021 has been offset against borrowings as at 30 June 2016.

Consolidated statement of financial position

	30 June 2016		30 June 2016
	$	$	$
	Reported	Adjustment	Restated
ASSETS			
Cash and cash equivalents	7,089,478		7,089,478
Trade and other receivables	128,822		128,822
Customer receivables	39,490,814	(1,378,227)	38,112,587
Plant and equipment	71,977		71,977
Intangible assets	1,530,254		1,530,254
TOTAL ASSETS	48,311,345		46,933,118
LIABILITIES			
Trade and other payables	3,948,358		3,948,358
Deferred R&D tax incentives	154,336		154,336
Borrowings	32,260,000	(1,213,021)	31,046,979
Provisions	247,940		247,940
TOTAL LIABILITIES	36,610,634		35,397,613
NET ASSETS	11,700,711		11,535,505
EQUITY			
Issued capital	19,409,691		19,409,691
Reserves	–	1,712,500	1,712,500
Accumulated losses	(7,708,980)	(1,877,706)	(9,586,686)
TOTAL EQUITY	11,700,711		11,535,505

.

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors,

Larry Diamond
Managing Director & Chief Executive Officer

23 August 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney, NSW, 2000
Australia

Phone: +61 2 9322 7000
www.deloitte.com.au

Independent Auditor's Report to the Members of zipMoney Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of zipMoney Limited (the Company) and its subsidiaries (the Group), which comprises the Consolidated Statement of Financial Position as at 30 June 2017, the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

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

Basis for Opinion

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

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

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

Deloitte.

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.

<table>
<tr><th>Key Audit Matters</th><th>How the scope of our audit responded to the Key Audit Matters</th></tr>
<tr><td>Revenue Recognition

As disclosed in note 5, the Group has reported portfolio income of $16.4 million for the year ended 30 June 2017.

During the year, the Group reassessed its revenue recognition policy in relation to all of its key revenue streams based on its customer repayment profile and maturity of the loan book portfolio. The Group adopted a revised accounting policy in relation to revenue recognition which resulted in the prior year restatement of portfolio income and customer receivables which is disclosed in Note 34.

The revenue recognition model is based on a number of key estimates and assumptions including:
• estimated future cash flows; and
• historical repayment patterns

which requires significant judgement by management.</td><td>Our audit procedures included, but were not limited to:
• Obtaining an understanding of the key revenue streams and assessing the accounting policy on revenue recognition for compliance with the applicable accounting standards.
• Assessing the key internal controls over the capture and measurement of revenue transactions.
• Agreeing a sample of customer loan data recorded in the system to the source information in the customer contracts.
• Evaluating the accuracy of the revenue recognition model by re-performing the calculations on a sample basis and comparing the methodology used to the requirements of the applicable accounting standards.
• Challenging the appropriateness of key assumptions used in the revenue recognition model, including the estimated future cash flows and expected life of the customer receivables balance, by comparing these to historical trends within the Group, the Group's forecasts and our own assessment based on our knowledge of the Group's customer receivables portfolio.
• Evaluating the adequacy of the related disclosures in the financial report.</td></tr>
<tr><td>Recoverability of Customer Receivables

As disclosed in note 11, the carrying value of customer receivables as at 30 June 2017 was $143.8 million.

The assessment of the recoverable value of customer receivables requires significant judgement in making an estimate of the recoverability of the receivables, on either a specific or collective basis.</td><td>Our audit procedures included, but were not limited to:
• Testing the key controls around management's procedures relating to customer loan approval processes and overdue loan transactions.
• Testing the customer loan repayment profile by agreeing a sample of loan repayments to source documents.
• Challenging the assumptions used by the Group in arriving at the allowance for doubtful debts and the reasonableness of management's assessment of the recoverability of customer loan receivables by assessing past performance of the Group's loans and consideration of relevant economic factors.
• Comparing the allowance for doubtful debts with historical credit losses and industry benchmarks where available.
• Evaluating the adequacy of the related disclosures in the financial report.</td></tr>
</table>

Deloitte.

Key Audit Matters	How the scope of our audit responded to the Key Audit Matters
Accounting for Acquisition As disclosed in Note 19, the Group made a significant acquisition during the financial year. Accounting for the transaction is a complex and judgmental exercise, requiring management to determine the fair value of: ○ the total purchase consideration including the contingent consideration; ○ the net assets acquired; and ○ specifically the identifiable intangible assets to be recognised separately from goodwill.	Our procedures performed in conjunction with our valuation specialists, included: ○ Understanding the process that management and the directors were following to account for the acquisition. ○ Obtaining a detailed understanding of the terms and conditions of the purchase contract to enable us to assess the appropriateness of management's accounting treatment. ○ Assessing the recognition and measurement of contingent consideration to ensure compliance with the applicable accounting standard. ○ Evaluating the competence, capability and objectivity of management's external expert and performing a detailed review of their report to understand the scope of their engagement and any limitations in their report. In addition, we held discussions with them. ○ Evaluating the appropriateness of the fair value attributed to the assets and liabilities acquired as part the business acquisition: • Assessing the identification and valuation of tangible assets and liabilities acquired; • Assessing the identification and valuation of material intangible assets including Technology and Database and the appropriateness of the amortisation rate; • Performing procedures over the intangible asset valuations, specifically: ▪ assessing the inputs in the replacement cost valuation model; ▪ analysing cash flow assumptions including revenue growth rates and gross margins; ▪ assessing the discount rate used; and ▪ challenging the reasonableness of the valuation outputs. We also evaluated the adequacy of the Group's disclosures in note 19.

Deloitte.

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 2017, 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.

Directors' Responsibilities 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Deloitte.

- 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 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 audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 25 to 29 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of zipMoney Limited, for the year ended 30 June 2017, 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

Carlo Pasqualini
Partner, Chartered Accountants
Sydney, 23 August 2017

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 10 August 2017.

ASX LISTING RULE 4.10.19

zipMoney Limited has used the cash and assets in a form readily convertible to cash at the time of admission in a way consistent with its business objectives.

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 ordinary unquoted shares escrowed to 21/09/2017	Number of holders of ordinary quoted shares escrowed to 12/03/2018
1 to 1,000	268	–	–
1,001 to 5,000	630	–	–
5,001 to 10,000	309	–	–
10,001 to 100,000	648	1	–
100,001 and over	149	8	2
Total	2,004	9	2
Holding less than a marketable parcel	39	–	–

Range	Number of holders of unquoted performance shares escrowed to 21/09/2017	Number of holders of unquoted options Price $0.10, expiry 30/11/2018	Number of holders of unquoted options Price $0.75, expiry 30/11/2018
10,001 to 100,000	–	3	–
100,001 and over	3	2	2
Total	3	5	2
Holding less than a marketable parcel	–	–	–

Range	Number of holders of unquoted options Price $1.00, expiry 05/12/2018	Number of holders of unquoted options Price $0.20, expiry 31/12/2018	Number of holders of unquoted options Price $0.50, expiry 05/12/2019
100,001 and over	2	1	1
Total	2	1	1
Holding less than a marketable parcel	–	–	–

Range	Number of holders of unquoted options Price $0.70, expiry 05/12/2019	Number of holders of unquoted performance shares	Number of holders of unquoted performance options
100,001 and over	1	11	1
Total	1	11	1
Holding less than a marketable parcel	–	–	–

EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders

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

	Ordinary shares	
	Number held	% of total shares issued
DIAMOND VENTURE HOLDINGS PTY LTD <DIAMOND UNIT A/C>	60,615,319	21.00
WESTPAC BANKING CORPORATION	49,382,716	17.11
MR PETER JOHN GRAY	20,006,105	6.93
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	11,660,010	4.04
UBS NOMINEES PTY LTD	11,310,398	3.92
MR ADAM MARC FINGER	8,067,474	2.80
LIQUIDITY GROUP PTY LIMITED <THE LIQUIDITY A/C>	5,970,457	2.07
ACN 163 625 198 PTY LTD <SR-71 A/C>	4,932,347	1.71
CITICORP NOMINEES PTY LIMITED	4,604,539	1.60
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,313,762	1.49
AUST EXECUTOR TRUSTEES LTD <HENROTH PTY LIMITED>	4,108,610	1.42
J P MORGAN NOMINEES AUSTRALIA LIMITED	3,832,055	1.33
BNP PARIBAS NOMS PTY LTD <DRP>	3,369,987	1.17
P D CRUTCHFIELD PTY LTD <CRUTCHFIELD SUPER FUND A/C>	2,500,000	0.87
BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	2,483,737	0.86
NALEY PTY LTD	2,400,000	0.83
MR GAREN AZOYAN <GAAM SMSF A/C>	2,164,003	0.75
BRIAR PLACE PTY LIMITED	2,164,003	0.75
MR PHILIP DAVID CRUTCHFIELD	2,160,000	0.75
MR MICHAEL GREER <GREER A/C>	2,135,252	0.74
	208,180,774	72.14

Unquoted equity securities

	Number on issue	Number of holders
UNLISTED PERFORMANCE SHARES	4,118,690	11
UNLISTED PERFORMANCE SHARES ESCROW TO 21 SEPTEMBER 2017	29,211,310	3
UNLISTED ORDINARY SHARES – ESCROW UNTIL 21 SEPTEMBER 2017	88,691,181	9
$0.10 UNLISTED OPTIONS EXPIRING 30 NOVEMBER 2018	643,000	5
$0.75 UNLISTED OPTIONS EXPIRING 30 NOVEMBER 2018	525,000	2
$1.00 UNLISTED OPTIONS EXPIRING 5 DECEMBER 2018	900,000	2
$0.20 UNLISTED OPTIONS EXPIRING 31 DECEMBER 2018	5,000,000	1
$0.50 UNLISTED OPTIONS EXPIRING 5 DECEMBER 2019	150,000	1
$0.70 UNLISTED OPTIONS EXPIRING 5 DECEMBER 2019	150,000	1
$0.81 UNLISTED PERFORMANCE OPTIONS	9,428,036	1

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

Name	Class	Number held
MR ADAM MARC FINGER	UNLISTED PERFORMANCE SHARES	962,871
OZTRAL EQUITIES PTY LTD <AUSTRAL EQUITIES UNIT A/C>	UNLISTED PERFORMANCE SHARES ESCROW TO 21 SEPTEMBER 2017	20,000,000
DIAMOND VENTURE HOLDINGS PTY LTD <DIAMOND UNIT A/C>	UNLISTED PERFORMANCE SHARES ESCROW TO 21 SEPTEMBER 2017	6,925,535
DIAMOND VENTURE HOLDINGS PTY LTD <DIAMOND UNIT A/C>	UNLISTED ORDINARY SHARES – ESCROW UNTIL 21 SEPTEMBER 2017	60,615,319
MR PETER JOHN GRAY	UNLISTED ORDINARY SHARES – ESCROW UNTIL 21 SEPTEMBER 2017	20,006,105
ZELTNER PTY LTD <JL & MV WINTER FAMILY A/C>	$0.10 UNLISTED OPTIONS EXPIRING 30 NOVEMBER 2018	300,000
MR JOHN DAVID WINTERS	$0.10 UNLISTED OPTIONS EXPIRING 30 NOVEMBER 2018	200,000
MR MATTHEW SVENSSON	$0.75 UNLISTED OPTIONS EXPIRING 30 NOVEMBER 2018	300,000
MR KIERAN JAMES SHEEHAN	$0.75 UNLISTED OPTIONS EXPIRING 30 NOVEMBER 2018	225,000
MR PHILIP DAVID CRUTCHFIELD	$1.00 UNLISTED OPTIONS EXPIRING 5 DECEMBER 2018	700,000
MS MEGAN QUINN	$1.00 UNLISTED OPTIONS EXPIRING 5 DECEMBER 2018	200,000
VPC SPECIALTY LENDING INVEST-MENTS INTERMEDIATE LP	$0.20 UNLISTED OPTIONS EXPIRING 31 DECEMBER 2018	5,000,000
MR PHILIP DAVID CRUTCHFIELD	$0.50 UNLISTED OPTIONS EXPIRING 5 DECEMBER 2019	150,000
MR PHILIP DAVID CRUTCHFIELD	$0.70 UNLISTED OPTIONS EXPIRING 5 DECEMBER 2019	150,000
WESTPAC BANKING CORPORATION	$0.81 UNLISTED PERFORMANCE OPTIONS	9,428,036

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
DIAMOND VENTURE HOLDINGS PTY LTD <DIAMOND UNIT> MR LARRY DIAMOND AND MRS ASHLYN DIAMOND <DIAMOND SMSF>	61,117,263
WESTPAC BANKING CORPORATION	49,382,716
PETER JOHN GRAY	20,006,105
ZIPMONEY LTD	88,691,181

VOTING RIGHTS

Voting rights are as set out below:

Ordinary shares

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

Options

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

ASX LISTING RULE 3.13.1 AND 14.3

The Annual General Meeting is scheduled to be held on 16 November 2017.

CORPORATE DIRECTORY

DIRECTORS

Philip Crutchfield
(Chairman)

Larry Diamond
(Managing Director, CEO)

Peter Gray
(Executive Director, COO)

Megan Quinn
(Non-Executive Director)

COMPANY SECRETARY

Andrew Bursill

REGISTERED OFFICE

Level 37, 50 Bridge Street
Sydney, NSW, 2000

Telephone:
+61 2 8294 2345

Website:
www.zipmoneylimited.com.au

SECURITIES EXCHANGE LISTING

ASX Code: ZML

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

Telephone:
1300 850 505 (within Australia)
+61 8 9323 2000

Facsimile:
+61 8 9322 2033