

REPLACEMENT PROSPECTUS

INITIAL PUBLIC OFFERING
OF SHARES



JOINT LEAD MANAGERS

Barrenjoey^o



Morgan Stanley



Important Notice and Disclaimer

The Offer contained in this Prospectus is an invitation to acquire fully paid ordinary shares (**Shares**) in Torrens Group Holdings Limited (to be renamed PEXA Group Limited) ABN 23 629 193 764) (the **Company** or **PEXA**). The Prospectus is issued by the Company and PEXA SaleCo Limited (ACN 650 590 131) (**SaleCo**) for the purposes of Chapter 6D of the *Corporations Act 2001* (Cth) (**Corporations Act**). See Section 7 for further information on the Offer, including details of the securities that will be issued and transferred under this Prospectus.

Lodgement and listing

This is a replacement Prospectus dated 21 June 2021 (**Prospectus Date**) and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. It replaces the prospectus issued by the Company dated 14 June 2021 and lodged with ASIC on that date (**Original Prospectus**). For the purposes of this document, this replacement prospectus will be referred to as the Prospectus. This replacement Prospectus differs from the Original Prospectus by:

- clarifying references in the Chairman's Letter to pro forma EBITDA growth;
- including year to date transaction volumes on page 17;
- including (and cross referencing to) the hourly platform service availability and reliability requirements of the Model Operating Requirements in Section 3.6.3.1, clarifying statements regarding PEXA's prospects and intentions with respect to bringing digital property settlement solutions to other jurisdictions and noting that PEXA's intentions in those markets are based on its Australian market experience (on pages 18, 26 and 71);
- advancing certain risks for the growth initiatives to page 17;
- cross-referencing to the costs of growth initiatives in Section 4.8.2.1;
- amending footnote 2 to Figure 47, footnote 3 to Figure 55, footnote 4 to Figure 61, footnote 1 in Section 6 and footnote 1 to Figure 95 to clarify forecast revenue and expenses for PEXA Insights, NPATA growth, and shareholder loan and new debt interest rate calculations, and the interests of Link Property Pty Limited and Commonwealth Bank of Australia respectively;
- separating footnote 9 to Figure 63 into footnotes 9A and 9B;
- noting in Section 4.7.1.9 that most capitalised costs are included in Intangible Assets in Figure 59; and
- including at Section 10.11 further detail on Frost & Sullivan's methodology in calculating potential market size for new data products and services.

The lodgement of a replacement Prospectus has also required certain references to reflect the fact the Company has already applied to the Australian Securities Exchange (**ASX**) for the admission of the Company to the official list of the ASX and for quotation of its Shares on the ASX.

None of ASIC, ASX or their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

Expiry date

No Shares will be issued or transferred on the basis of this Prospectus later than 13 months from the date of the Original Prospectus.

Note to Applicants

The information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation or particular needs of any prospective investor. This Prospectus should not be construed as financial, taxation, legal or other advice. Neither the Company nor SaleCo is licenced to provide financial product advice in respect of its securities or any other financial products.

This Prospectus is important and should be read carefully and in its entirety prior to deciding whether to invest in Shares. In particular, you should consider the basis of preparation of the Financial Information and best estimate assumptions underlying the Forecast Financial Information (see Section 4) and the key risks (see Section 5) that could affect the business, financial condition and financial performance of the Company. You should carefully consider these risk factors in light of your personal circumstances, investment objectives, financial situation and particular needs (including financial and taxation issues) and seek professional advice from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest in Shares. There may be risks in addition to these that should be considered in light of your personal circumstances.

If you do not fully understand this Prospectus or are in doubt as to how to deal with it, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest in Shares.

No offer where offer would be illegal

This Prospectus does not constitute an offer or invitation to apply for Shares in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares, in any jurisdiction outside Australia. The Offer is not being extended to any investor outside Australia, other than to certain institutional investors as part of the Institutional Offer. The distribution of this Prospectus (including in electronic form) outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus may not be distributed to, or relied upon by, persons in the United States unless accompanied by the U.S. Institutional Offering Memorandum as part of the Institutional Offer. The Shares being offered pursuant to this Prospectus have not been and will not be registered under the U.S. Securities Act of 1933 (**U.S. Securities Act**) or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the U.S. Securities Act and any other applicable securities laws of any state or other jurisdiction of the United States. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, securities in the United States.

See Section 10 for more details on selling restrictions that apply to the Offer and sale of Shares in jurisdictions outside Australia.

Disclaimer

Except as required by law, and only to the extent required, no person named in this Prospectus, nor any other person, warrants or guarantees the Company's performance, the repayment of capital by the Company or any return on investment made pursuant to this Prospectus.

Chapter 6D of the Corporations Act imposes a liability regime on the Company and SaleCo (as offerors of the Shares), the directors of the Company and SaleCo, persons named in this Prospectus with their consent as proposed directors of the Company or SaleCo, any underwriters, persons named in this Prospectus with their consent as having made a statement in this Prospectus and persons involved in a contravention in relation to this Prospectus, with regard to misleading or deceptive statements made in this Prospectus. Although the Company and SaleCo bear primary responsibility for this Prospectus, other parties involved in the preparation of this Prospectus can also be responsible for certain statements made in it.

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company, SaleCo, their respective Directors, the Joint Lead Managers or any other person in connection with the Offer. You should rely only on information in this Prospectus.

As set out in Section 7, it is expected that the Shares will be quoted on the ASX initially on a conditional and deferred settlement basis. To the maximum extent permitted by law, the Company, SaleCo, the Company's share registry Link Market Services Limited (ABN 54 083 214 537) (**Share Registry**), the Joint Lead Managers and the Selling Shareholders disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statements, even if such person received confirmation of allocation from the Offer Information Line or confirmed their firm allocation through a Broker.

Barrenjoey Advisory Pty Limited, Macquarie Capital (Australia) Limited, Morgan Stanley Australia Securities Limited and UBS AG, Australia Branch have acted as Joint Lead Managers to the Offer, subject to the terms and conditions of the Underwriting Agreement.

The Joint Lead Managers have not authorised, permitted or caused the issue or lodgement, submission, dispatch or provision of this Prospectus and there is no statement in this Prospectus which is based on any statement made by them or by any of their respective affiliates, officers, employees or advisers. To the maximum extent permitted by law, each of the Joint Lead Managers or any of their respective related bodies corporate (as that term is defined in the Corporations Act) or affiliates, or any of their respective directors, officers, employees, partners, contractors, consultants, agents, advisers or representatives (together, the **Limited Parties**) expressly disclaim all liabilities in respect of, make no representations regarding, and take no responsibility for, any part of this Prospectus (other than references to their name), and make no representation or warranty as to the currency, accuracy, reliability or completeness of this Prospectus.

For more information on the terms and conditions of the Underwriting Agreement, refer to Section 9.1.

Financial years

All references to FY18, FY19, FY20, FY21 and FY22 appearing in this Prospectus are to the historical financial years ended 30 June 2018, 30 June 2019 and 30 June 2020 and the forecast financial years ending 30 June 2021 and 30 June 2022 respectively, unless otherwise indicated. All references to 1HFY20 and 1HFY21 appearing in this Prospectus are the half years ended 31 December 2019 and 31 December 2020 respectively, unless otherwise indicated.

Financial information and amounts

Section 4 sets out in detail the financial information referred to in this Prospectus and the basis of preparation of that information is set out in Section 4.2.

The Financial Information is presented in an abbreviated form insofar as it does not include all of the statements, presentation, comparative information and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

Unless otherwise stated, all pro forma data in this Prospectus gives effect to the pro forma adjustments referred to in Section 4.

The Forecast Financial Information for FY21 and FY22 included in this Prospectus is based on the best estimate assumptions of the Directors. The basis of preparation and presentation of the Forecast Financial Information is set out in Section 4.2.5. The Forecast Financial Information presented in this Prospectus is presented on both a statutory and pro forma basis for FY21 and FY22.

The Historical Financial Information and the Forecast Financial Information in this Prospectus should be read in conjunction with, and are qualified by reference to, the information contained in Section 4.

All financial amounts contained in this Prospectus are expressed in Australian dollars and rounded to the nearest \$0.1 million unless otherwise stated. Some numerical figures included in this Prospectus have been subject to rounding adjustments. Any discrepancies between totals and sums of components in figures or tables contained in this Prospectus are due to rounding.

Non-IFRS financial information

Investors should be aware that certain financial data included in this Prospectus is 'non-IFRS financial information' under Regulatory Guide 230 'Disclosing non-IFRS financial information' published by ASIC. The Company believes this non-IFRS financial information provides useful information to users in measuring the financial performance and condition of the Company. The non-IFRS financial information does not have standardised meanings prescribed by Australian Accounting Standards and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should it be construed as an alternative to other financial information determined in accordance with Australian Accounting Standards. Readers are cautioned, therefore, not to place undue reliance on any non-IFRS financial information or ratio included in this Prospectus.

Forward-looking statements

This Prospectus includes Forecast Financial Information for FY21 and FY22 based on an assessment of present economic and operating conditions, and on a number of assumptions set out in Section 4.8 regarding future events and actions that, as of the Prospectus Date, the Company expects to occur.

This Prospectus contains forward-looking statements and comments, including in relation to the Company's business, plans and strategies, growth opportunities and expected trends in the industry sector in which the Company currently operates, as well as total potential addressable market and potential market size estimates. Any statements contained in this Prospectus that are not of historical facts may be deemed to be forward-looking statements. You can identify these statements by words such as "expect", "anticipate", "likely", "intend", "should", "could", "outlook", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target" and other similar expressions that involve risks and uncertainties, indications of, and guidance or outlook on, future growth opportunities and potential market opportunities. Consistent with customary market practice for initial public offerings (IPOs) in Australia, Forecast Financial Information has been prepared and included in Section 4 of this Prospectus and is an example of forward-looking statements.

These forward-looking statements are based on current expectations, estimates, forecasts and projections about the Company's business and the industry in which the Company operates and the beliefs and assumptions of the Company's management. Forward-looking statements involve inherent risks and uncertainties, both general and specific, and there is a risk that such predictions, forecasts, projections and other forward-looking statements will not be achieved. These forward-looking statements are not guarantees of future performance or development. A number of important factors could cause the Company's actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements, and many of these factors are beyond the Company's control, including general economic factors and volatility, uncertainty and disruption caused by the COVID-19 pandemic.

Factors that may cause such differences or make such statements inaccurate include, but are not limited to, the risk factors described in Section 5, the general and specific assumptions in Section 4.8, the sensitivity analysis in Section 4.11 and other information in this Prospectus. Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and Forecast Financial Information.

Nothing in this Prospectus is a promise or representation as to the future and past performance is not a guarantee of future performance. None of the Company, SaleCo, their respective Directors or any of the Limited Parties gives any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and you are cautioned not to place undue reliance on the forward-looking statements or Forecast Financial Information.

These forward-looking statements speak only as at the Prospectus Date. Unless required by law, the Company does not intend to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise and

may not publish prospective financial information in the future. Nothing in this document will, under any circumstances, create an implication that there has been no change in the affairs of the Company since the date of this document. You acknowledge that the circumstances may change and that the contents of the document may become out-dated as a result. You should, however, review the factors and risks the Company describes in the reports to be filed from time to time with the ASX after the Prospectus Date.

Past performance

This Prospectus includes information regarding the past performance of the Company. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

Independent Limited Assurance Report on the Financial Information and financial services guide

The provider of the Independent Limited Assurance Report on the Financial Information is required to provide Australian retail investors with a financial services guide in relation to its independent review under the Corporations Act. The Independent Limited Assurance Report and accompanying financial services guide are provided in Section 8.

Cautionary note regarding industry and market data

This Prospectus, including the Industry Overview in Section 2 and the Company Overview in Section 3, contains statistics, data and other information (including forecasts and projections) relating to: (i) markets, market sizes, market shares, market positions and other industry data; and (ii) macroeconomic trends, positions and other data, in each case pertaining to the Company's business and the markets in which the Company operates (**Market Data**).

The Company engaged BIS Oxford Economics (**BIS Oxford**) to prepare a market due diligence report (the **BIS Market Report**) that:

- estimates the total number of property transactions in Australia for FY17 to FY20; and
- forecasts the total number of property transactions in Australia for FY21 and FY22.

The BIS Market Report is dated 7 May 2021 and reflects the information available to BIS Oxford as of that date. It has not been updated for information arising after that date, including subsequent market and trading conditions and government policy changes, including the changes to stamp duty on property transactions that were included in the Victorian State Government budget on 20 May 2021. The Company does not believe that these changes will result in a material change to the expected level of property transactions in the remainder of FY21 or in FY22. BIS Oxford has not conducted any analysis of the impact of the announced changes on the volume of activity in Victoria's housing market.

The Company also commissioned Frost & Sullivan Australia Pty Ltd. (**Frost & Sullivan**) to provide a report estimating the potential market sizes for a range of products and services that the Company or PEXA Insights may develop (**Frost & Sullivan Market Report**, and together with the BIS Market Report, the **Market Reports**). Both BIS Oxford and Frost & Sullivan have consented to the inclusion of data and analysis from their reports in this Prospectus.

The BIS Market Report includes or is otherwise based on information supplied to BIS Oxford by or on behalf of the Company, including actual month dealings data for July 2020 to March 2021 and Company management estimates for April, May and June 2021, as well as other internal financial and operational information of the Company. While the BIS Market Report provides that the views, opinions, forecasts and information contained in the report are based on information reasonably believed by BIS Oxford in good faith to be reliable, BIS Oxford has not independently verified or audited the information or material provided to it by or on behalf of the Company.

The Frost & Sullivan Market Report includes or is otherwise based on information supplied to Frost & Sullivan by or on behalf of the Company, including internal financial and operational information of the Company. While the Frost & Sullivan Market Report provides that the views, opinions, forecasts and information contained in the report are based on information reasonably believed by Frost & Sullivan in good faith to be reliable, Frost & Sullivan has not independently verified or audited the information or material provided to it by or on behalf of the Company.

In addition, the Company has not independently verified, and cannot give any assurances as to the accuracy and completeness of, the market and industry data contained in this Prospectus that has been extracted or derived from the Market Reports. Accordingly, the accuracy and completeness of such information is not guaranteed. There is no assurance that any of the forecasts or projections contained in the Market Reports which are referred to in this Prospectus will be achieved.

The Market Data and Market Reports include or are otherwise based on information obtained by their respective authors from: (a) various data collection agencies, industry associations, forums and institutes and private market analysts; and (b) publicly available information; and other information publicly released by corporations and Government departments. The relevant authors have not independently verified or audited this information or any information provided by or on behalf of the Company. Accordingly, the accuracy and completeness of such information is not guaranteed. The Market Data has been accurately reproduced and, as far as the Company is aware, no facts have been omitted that would render the information provided inaccurate or misleading.

There are other statements and charts in this Prospectus made by, attributed to, or based on statements made by the third parties. The Company has not independently verified this information. These have not been consented to by the third parties for the purpose of section 729 of the Corporations Act and are included by the Company on the basis of the ASIC Corporations (Consents to Statements) Instrument 2016/72, which provides relief from the Corporations Act for statements used from books, journals or comparable publications.

Investors should note that market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. There is no assurance that any of the forecasts contained in reports, surveys and research of third parties which are referred to in this Prospectus will be achieved. In addition, none of the Company, the Directors or the Joint Lead Managers can assure you as to the accuracy or the reliability of the underlying assumptions used to estimate such industry data and third party market data. Forecasts and estimates involve risks and uncertainties and are subject to change based on various factors, including the risk factors in Section 5.

Moreover, in any disclosure that contains projections as to transaction volumes or market size estimates, the Company has given due regard to the latest available industry sources that are publicly available, including those that assess the impact of the coronavirus pandemic (COVID-19), Government stimulus and changing fiscal policy on transaction volumes, market share and pricing. It should be noted, however, that such information is produced at a point in time, and may not reflect the longer-term impact of COVID-19, government stimulus packages or recent changes in policy that were introduced or that may be introduced in response to COVID-19 or economic recovery. In light of the ongoing uncertainty in respect of the impact of COVID-19, investors are cautioned not to place undue reliance on industry estimates, forecasts and projections.

Exposure Period

The Corporations Act prohibits the Company from processing applications for Shares under this Prospectus (**Applications**) in the seven-day period after the date of the Original Prospectus (**Exposure Period**). This period may be extended by ASIC for a further period of up to seven days. The purpose of the Exposure Period is to enable the Original Prospectus to be examined by ASIC and market participants prior to the raising of funds under the Offer. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act.

Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any Applications received during the Exposure Period.

During the Exposure Period, this Prospectus will be made generally available to Australian resident investors without the Application Form, by being posted on the following website: <http://www.pexa.com.au/ipo>. Application Forms will not be made available until after the Exposure Period has expired.

Obtaining a copy of this Prospectus

A hard copy of this Prospectus will be available for Australian resident investors free of charge during the Offer Period by contacting the Offer Information Line on 1800 129 431 (toll free within Australia) between 8.30am and 5.30pm Melbourne time, Monday to Friday, excluding public holidays. If you are eligible to participate in the Offer and are calling from outside Australia, please call +61 1800 129 431 between 8.30am and 5.30pm Melbourne time, Monday to Friday, excluding public holidays.

During the Offer Period, this Prospectus will be made available in electronic form on the following website: <http://www.pexa.com.au/ipo>. The Offer constituted by this Prospectus in electronic form is available only to persons within Australia. The Prospectus is not available to persons in other jurisdictions (including the United States). Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. If unsure about the completeness of this Prospectus received electronically, or a print-out of it, you should contact the Company.

Applications for the Shares under this Prospectus may only be made during the Offer Period on either a printed copy of the application form attached to or accompanying this Prospectus or via an electronic application form attached to or accompanying the

electronic version of this Prospectus (**Application Form**), available at <http://www.pexa.com.au/ipo>. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Cooling off rights

Cooling off rights do not apply to an investment in Shares pursuant to the Offer. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

Privacy

By filling out the Application Form to apply for Shares, you are providing personal information to the Company through the Share Registry, which is contracted to manage Applications. The Company, and the Share Registry on its behalf, may collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration. Some of this personal information is collected as required or authorised by certain laws including the *Income Tax Assessment Act 1997* (Cth) and the Corporations Act.

If you do not provide the information requested in the Application Form, the Company and the Share Registry may not be able to process or accept your Application. Your personal information may also be used from time to time to inform you about other products and services offered by the Company, which it considers may be of interest to you.

Your personal information may also be provided to the Company's members, agents and service providers on the basis that they deal with such information in accordance with the Company's privacy policy. The members, agents and service providers of the Company may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the register of members;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

If an Applicant becomes a Shareholder, the Corporations Act requires the Company to include information about the Shareholder (including name, address and details of the Shares held) in its public register of members. If you do not provide all the information requested, your Application may not be able to be processed.

The information contained in the Company's register of members must remain there even if that person ceases to be a Shareholder. Information contained in the Company's register of members is also used to facilitate dividend payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to

communicate to its Shareholders) and compliance by the Company with legal and regulatory requirements. An Applicant has a right to gain access to the information that the Company and the Share Registry hold about that person, subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing or by telephone call to the Company's registered office or the Share Registry's office, details of which are disclosed in the Corporate Directory on the inside back cover of this Prospectus.

Applicants can obtain a copy of the Company's privacy policy by visiting the Company's website <http://www.pexa.com.au>.

The Company aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Company or the Share Registry if any of the details you have provided change.

Definitions, abbreviations and time

Defined terms and abbreviations used in this Prospectus (unless specified otherwise) are explained in the Glossary in Appendix C.

All references to time in this Prospectus refer to AEDT (as applicable) unless stated otherwise.

Photographs and diagrams

Photographs and diagrams used in this Prospectus which do not have any descriptions are for illustration only and should not be interpreted to mean that any person shown endorses this Prospectus or its contents or that the assets shown in them are owned by the Company.

Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in figures, charts, graphs and tables are based on information available as at the Prospectus Date.

Company website

Any references to documents included on the Company's website are provided for convenience only, and none of the documents or other information on the Company's website, or any other website referred to in this Prospectus, are incorporated in this Prospectus by reference.

Offer management

The Offer is managed and underwritten by Barrenjoey Advisory Pty Limited, Macquarie Capital (Australia) Limited, Morgan Stanley Australia Securities Limited and UBS AG, Australia Branch.

Use of trademarks

This Prospectus includes the Company's registered and unregistered trademarks. All other trademarks, tradenames and service marks appearing in this Prospectus are the property of their respective owners and use is not intended to represent sponsorship, approval or association by or with us.

Questions

If you have any questions in relation to the Offer, contact the Offer Information Line on 1800 129 431 (toll free within Australia) or +61 1800 129 431 (outside Australia) between 8.30am and 5.30pm Melbourne time, Monday to Friday.

This Prospectus is important and should be read carefully and in full.

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Key Offer Dates

Prospectus Date	21 June 2021
Broker Firm Offer, Practitioner Offer, Employee and Director Offer, and Employee Gift Offer opens	22 June 2021
Broker Firm Offer, Practitioner Offer, Employee and Director Offer, and Employee Gift Offer ends	28 June 2021
Commencement of ASX trading on a conditional and deferred settlement basis	1 July 2021
Settlement date	1 July 2021
Expected Completion (Shares issued or transferred to successful Applicants)	2 July 2021
Expected commencement of trading of Shares on ASX on a normal settlement basis	5 July 2021
Expected dispatch of holding statements	6 July 2021

Dates may change

This timetable is indicative only and may change without notice. Unless otherwise indicated, all times are stated in Melbourne time. The Company and SaleCo (defined in the Important Notices), in consultation with the Joint Lead Managers, reserve the right to amend any and all of the above dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, to accept late Applications (either generally or in particular cases) or to cancel the Offer before Shares are issued by the Company or transferred by SaleCo). If the Offer is cancelled before the issue and transfer of Shares, then all Application Monies will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens.

How to invest

Applications for Shares can only be made by completing and lodging an Application Form. Instructions on how to apply for Shares are set out in Section 7 and on the back of the Application Form.

This Prospectus is important and should be read in its entirety prior to deciding whether to invest in Shares. In particular, Section 4 sets out in detail the financial information referred to in this Prospectus, the basis of preparation of that information, the Statutory Financial Information and Pro Forma Financial Information, certain financial ratios and metrics and details of the Company's debt and dividend policy. Section 4 contains certain non-IFRS measures and should be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

Questions

If you have any questions in relation to the Offer, please contact the PEXA Offer Information Line on 1800 129 431 (toll free within Australia) or +61 1800 129 431 (outside Australia) between 8.30am and 5.30pm Melbourne time, Monday to Friday. If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest in PEXA.

References to “we”, “us”, “our” and PEXA

In this document, the expressions we, us, our and PEXA refer to Torrens Group Holdings Limited (to be renamed 'PEXA Group Limited') and its subsidiaries (including Property Exchange Australia Limited (**PEAL**)) and their businesses, as the context permits.

Key Offer Statistics

Offer Price	\$17.13 per Share
Total number of Shares available under the Offer	68.6 million
Gross proceeds of the Offer	\$1,175 million
— Proceeds of the Offer paid to Selling Shareholders; and	\$959 million
— Proceeds of the Offer raised by the issue of Shares in the Company	\$216 million
Total number of Shares on issue at Completion ¹	177.3 million
Number of Shares to be held by Existing Shareholders at Completion	Up to 137.9 million
Indicative market capitalisation based on the Offer Price ²	\$3,038 million
Pro forma historical net debt as at 31 December 2020 ³	\$324 million
Pro forma forecast net debt as at 30 June 2021 ⁴	\$280 million
Enterprise value based on the Offer Price ⁵	\$3,318 million
Enterprise value/Pro Forma forecast FY22 revenue ⁶	13.4x
Enterprise value/Pro Forma forecast FY22 PEXA Exchange EBITDA ⁶	26.3x
Enterprise value/Pro Forma forecast FY22 EBITDA ⁶	30.8x
Market capitalisation/Pro Forma forecast FY22 NPAT ⁷	154.6x

Notes:

1. Fully paid ordinary Shares only.
2. Market capitalisation is calculated as the total number of Shares on issue on Completion multiplied by the Offer Price. Shares may not trade at the Offer Price after Listing.
3. Reflects the pro forma historical net debt position as at 31 December 2020 as per Figure 59 of Section 4.4.1.
4. Reflects the pro forma historical net debt as at 31 December 2020, in addition to the estimated increase in pro forma forecast free cash flow in 2H FY21 (\$43.8 million).
5. Enterprise value is calculated as the indicative market capitalisation of the Company based on the Offer Price, plus pro forma forecast net debt as at 30 June 2021.
6. These ratios are calculated as enterprise value based on the Offer Price divided by FY22 Pro Forma forecast revenue, PEXA Exchange EBITDA or EBITDA (as defined in Section 4). The Forecast Financial Information is based on assumptions and accounting policies set out in Section 4 and Appendix B respectively and is subject to key risks set out in Section 5 and there is no guarantee that the pro forma forecast will be achieved. Certain financial information in this Prospectus is described as pro forma for the reasons described in Section 4. Forecasts have been included in this Prospectus for the years ending 30 June 2021 and 30 June 2022.
7. This ratio is calculated as market capitalisation based on the Offer Price divided by FY22 Pro Forma Forecast NPAT. The Forecast Financial Information is based on assumptions and accounting policies set out in Section 4 and Appendix B respectively and is subject to key risks set out in Section 5 and there is no guarantee that the pro forma forecast will be achieved. Certain financial information in this Prospectus is described as pro forma for the reasons described in Section 4. Forecasts have been included in this Prospectus for the years ending 30 June 2021 and 30 June 2022.

Chairman's Letter

Dear Investor,

On behalf of the Directors, I am pleased to offer you the opportunity to become a Shareholder in Torrens Group Holdings Limited (to be renamed 'PEXA Group Limited') (the **Company**) – the operator of Australia's leading digital property settlements platform.

Since its inception, PEXA has been at the forefront of the migration from traditional paper-based property settlements to fully digital settlements, a shift supported by the decisions of some key Australian States to mandate digital settlements in the interests of efficiency, security and other benefits to participants.

Today, more than 80% of all property transactions¹ in Australia are completed on PEXA's scalable and robust platform, delivering meaningful time and cost benefits for conveyancers and lawyers (**Practitioner Firms**) and financial institutions, and ultimately better experiences for home buyers and sellers.

PEXA's position at the centre of the Australian property settlements market has enabled the Group to deliver consistent, strong pro forma revenue and pro forma EBITDA growth². In FY21, PEXA is forecast to deliver pro forma forecast revenue of \$218.5 million, and to generate a positive pro forma forecast PEXA Exchange EBITDA of \$108.2 million (PEXA Exchange EBITDA excludes certain project and other non-PEXA Exchange related costs and is defined in Section 4 of this Prospectus).

Having transformed this aspect of the Australian property market, PEXA is now beginning to pursue a suite of growth opportunities. Beyond continuing to lead the transition from paper-based to digital property settlements in Australia, this includes investigating opportunities to leverage its intellectual property to become an international leader in digital property settlements, starting with the United Kingdom, and with consideration being given to other markets with Torrens Title systems.

In addition, through PEXA Insights, the Group is exploring opportunities to use its unique access to near real-time, accurate and comprehensive nationwide property data to generate valuable data-driven insights for property market participants and other stakeholders. Through its PX Ventures business, PEXA is ready to apply its experience, innovative and entrepreneurial culture, and established industry relationships to identify, incubate and accelerate new business ventures across the property sector.

While exciting, new business ventures are uncertain and in some cases require regulatory and third party approvals.

The purpose of the Offer is to enable some Shareholders to monetise all or part of their investment in the Company, to support employees, Directors and senior personnel to become Shareholders, to improve access to capital for growth, and to provide the Company with the benefits of an increased profile as a listed entity.

As part of the Offer, PEXA is undertaking a Practitioner Offer, an Employee and Director Offer, and an Employee Gift Offer to recognise the significant contribution that each cohort has made to the success of the business. Parties who are eligible to participate in these Offers will be notified separately of their entitlement.

This Prospectus contains detailed information about the Offer, Historical and Forecast Financial Information for PEXA, and the material risks associated with a potential investment in the Company. Before applying for Shares, any prospective investor should read this Prospectus in its entirety and be satisfied that they have a sufficient understanding of the risks involved in making an investment in PEXA. These include risks associated with an evolving and complex regulatory environment, obligations around interoperability and regulatory compliance, ongoing threats to cyber security and from fraud, normal competitive forces, the importance of general economic conditions, and uncertainty and disruption caused by the COVID-19 pandemic. In addition, PEXA's growth opportunities are as yet nascent, PEXA remains reliant on third party technology systems and suppliers, and also bears the risk of deterioration in key relationships as well as failure to attract and retain key personnel. Please refer to Section 5 of this document for further details around risks.

I encourage you to read this document carefully and in its entirety before making an investment decision.

On behalf of my fellow Directors, I look forward to welcoming you as a Shareholder of PEXA.

Yours sincerely,



Mark Joiner, Chair

Torrens Group Holdings Limited (to be renamed 'PEXA Group Limited')

1. Market share based on BIS Oxford estimate of market and PEXA transactions.

2. Growth in Pro Forma PEXA Exchange EBITDA from FY18-FY21, excluding impact of ESOP costs (\$30.1 million) in FY19. See Sections 4.7.2.1, 4.7.2.2 and 4.10.1.1 for further details.



CEO's Letter

Dear Investor,

It is with a genuine sense of pride that I introduce you to Torrens Group Holdings Limited (to be renamed 'PEXA Group Limited').

PEXA operates Australia's leading digital property settlements platform – providing an efficient, reliable and secure settlement experience for home buyers and sellers – and is now exploring opportunities to take its experience and expertise into new markets in Australia and overseas.

Born out of a 2008 Council of Australian Governments' initiative to transition property lodgement and settlement away from an outdated paper-based process to a more efficient digital settlement process, PEXA's success represents the culmination of many years of collaboration and coordination between numerous government and regulatory bodies, financial institutions, legal and conveyancing practitioners and various industry stakeholders.

PEXA's platform is integrated with six land titles offices, five state revenue offices and the Reserve Bank of Australia and facilitates property settlements on behalf of more than 160 financial institutions and 9,400 practitioner firms. Today, more than 80% of all property transactions¹ in Australia are completed on the PEXA Exchange platform. It is PEXA's ambition to continue leading this transition from manual paper-based property settlements to digital property settlements in both Australia and potential new markets.

Since inception, PEXA has focused on innovation and the user experience. Feedback from PEXA's many users has played a critical role in driving new functionality and system enhancements. This ethos is embodied across our organisation, and is reflected in the results of PEXA's most recent user research. PEXA commissioned Nature, a market insights consultancy, to conduct market research. Based on a survey of 398 conveyancing industry participants in December 2020, this research demonstrates that PEXA is viewed by conveyancing industry participants as innovative, customer focused and effective, with the Group achieving a Net Promoter Score of +55 and a brand trust score of 8.7.

Buying a home is one of the most important purchases many people will make in their lifetime and it is PEXA's role to make that experience as efficient, safe and reliable as possible, increasing certainty to industry participants and homebuyers and sellers alike.

Having established a leading property lodgement and settlement platform, we are also leveraging our knowledge, experience, expertise and relationships with industry stakeholders and partners to pursue a number of growth initiatives across three key focus areas:

- PEXA International seeks to replicate our property lodgement and settlement platform in international markets, starting with the UK;
 - PEXA Insights seeks to appropriately leverage our near real-time, accurate and comprehensive property data and other data sources to generate valuable data-driven insights for property market participants; and
- PX Ventures seeks to incubate and accelerate business ventures pursuing adjacent opportunities in the property market.

PEXA's committed team, combined with our culture of innovation and collaboration, give us the confidence that we can pursue these opportunities, noting that there will be significant regulatory requirements and considerable execution risks.

To be part of such a substantial transformation in an industry that is so fundamental to the Australian economy is an honour and a privilege. The Board and I are aligned in our commitment to this business and I wholeheartedly look forward to the challenge.



Glenn King, *Group Chief Executive Officer*

Torrens Group Holdings Limited (to be renamed 'PEXA Group Limited')

1. Market share based on BIS Oxford estimate of market and PEXA transactions.



1 Investment Overview



1.1. Introduction and overview of PEXA

Topic	Summary	For more information
What is PEXA's business?	PEXA is the operator of the leading digital property settlements platform in Australia and is pursuing growth options to capture additional domestic and international opportunities. PEXA, through the PEXA Exchange, operates primarily as an Electronic Lodgment Network Operator (ELNO) facilitating the electronic lodgement and settlement of property transactions through an integrated platform connecting key property market stakeholders. As at 31 March 2021, the PEXA Exchange handled more than 80% of all property transfers¹ across Australia through its robust, resilient, cloud-based platform. PEXA has identified three key growth initiatives: • PEXA International: seeks to replicate the success of the PEXA Exchange in Australia to develop digital property settlement solutions for offshore markets; • PEXA Insights: seeks to appropriately harness near real-time, accurate and near comprehensive property data from the PEXA Exchange and other data sources to generate valuable data-driven insights; and • PX Ventures: seeks to build on PEXA's digital and industry experience, innovative and entrepreneurial culture and established relationships to develop new business opportunities with partners for consumers, businesses and governments across the property sector. For further information in respect of these key strategic initiatives, see Section 3.4 of this Prospectus. You should also refer to the risk factors described in Section 5 of this Prospectus.	Refer Section 3.1
Why does PEXA exist?	PEXA was conceived and established more than a decade ago to enable the phasing out of inefficient paper-based property settlements. Today, the PEXA Exchange seeks to provide confidence and stability for all participants in a property transaction by facilitating secure, reliable and efficient digital settlement, a critical component of the Australian property market.	Refer Section 3.1

1. Market share based on BIS Oxford estimate of market and PEXA transactions. See also Section 4.8.2.1 of this Prospectus for further information on the use of BIS Oxford estimates and revenue forecast assumptions.

Topic	Summary	For more information
What is the history of PEXA?	In collaboration with Government and private stakeholders, PEXA (formerly National E-conveyancing Development Ltd, or NECDL) has pioneered the development of e-conveyancing and digital property settlements in Australia. Development of the PEXA Exchange initially began in 2011 before launching in New South Wales and Victoria in 2014. During this time Westpac, ANZ Bank, CBA, NAB, the Western Australian Land Information Authority, Macquarie Group, Link Group and the Little Group also became PEXA shareholders. PEXA Exchange launched transfer functionality in Western Australia and Queensland in 2015 and South Australia in 2016. In 2019, a consortium of Morgan Stanley Infrastructure Partners (MSIP),² CBA and Link Group acquired 100% of Property Exchange Australia Ltd, through the acquisition vehicle, Torrens Group Holdings Pty Ltd. These parties remain PEXA's shareholders. In 2020, PEXA achieved the milestone of having had A\$1 trillion in settlement value transactions settled through the PEXA Exchange.	Refer Section 3.1.1
What is the PEXA Exchange?	The PEXA Exchange is a robust, resilient, cloud-based platform that connects financial institutions, practitioner firms, the Reserve Bank of Australia, Land Titles Offices and State Revenue Offices to enable the complete digital lodgement and settlement of most property transactions in New South Wales, Victoria, Western Australia, South Australia and Queensland. The PEXA Exchange digitally facilitates a range of essential functions in the conveyancing process, including: • providing a secure online workspace (PEXA Workspace) through which the parties preparing a property transaction collaborate to prepare for settlement, increasing the transparency between all parties; • financial settlement of the property transaction through electronic funds transfer at the Reserve Bank of Australia through exchange of value between financial institutions; • facilitation of financial disbursements at settlement; and • lodgement of various dealings with the relevant Land Titles Office.	Refer Section 3.2

2. Lightyear Investments B.V., a subsidiary of North Haven Infrastructure Partners II, a fund managed by Morgan Stanley Infrastructure Partners.

Topic	Summary	For more information
What are the PEXA Exchange customer tools?	PEXA has a number of customer tools (PEXA Plus, PEXA Projects, PEXA Planner, PEXA Key, and PEXA Tracker) to assist and enhance Subscribers' interaction with the PEXA Exchange: • PEXA Plus: offers dashboards to summarise activity for practitioners and offers services from third party providers such as title searches and property council certificates in New South Wales and Victoria; • PEXA Projects: provides an efficient and simple way for property developers, large practitioner firms and panel law firms (representing developers) to manage multiple workspaces for multi-lot settlements; • PEXA Planner: platform for financial institution and large practitioner users that provides visibility on upcoming settlements in an aggregated view, highlighting the actions required to settle on time to enable better resource and work planning; • PEXA Key: consumer mobile application (with an Apple App Store rating of 4.2/5, and a Google Play rating of 4.3/5 as at 4 May 2021), providing settlement tracking information to increase transparency for buyers and sellers and decreasing the risk of fraud by providing a mechanism to exchange financial information securely prior to settlement; and • PEXA Tracker: platform for financial institutions that provides frontline staff with visibility on upcoming settlements.	Refer Section 3.2.1.3
Who are PEXA's customers?	The customers of the PEXA Exchange, who are referred to as 'Subscribers', include over 9,400 practitioner firms that are largely made up of legal and conveyancing firms executing transactions on behalf of buyers and sellers of property, and over 160 financial institutions providing and discharging mortgage-backed property financing.	Refer Section 3.2.1.3
What jurisdictions does PEXA operate in?	As at 31 March 2021, the PEXA Exchange has backend integrations with the Land Titles Offices and State Revenue Offices in the five largest jurisdictions in Australia (New South Wales, Victoria, Western Australia, Queensland and South Australia). Together these jurisdictions account for 95% of potential billable transactions in Australia³. The decision of a number of governments to mandate the transition to digital lodgement of property documents has supported the rapid uptake of digital property settlements in Australia. As at 31 March 2021, States which have mandated digital property settlement – New South Wales, Victoria, Western Australia and South Australia – make up more than 72% of national transactions.	Refer Section 2.3.4

3. Based on the BIS Market Report.

Topic	Summary	For more information
How does the PEXA Exchange generate revenue?	The PEXA Exchange generates revenue based on the volume and lodgement type of transactions. Fees are payable on completion of settlement, with PEXA Exchange's transaction revenue collected from the proceeds of settlement. PEXA estimates that the total potential addressable market opportunity for the PEXA Exchange in Australia will be approximately \$280 million⁴ for calendar year 2021, based on its forecast of property transaction volumes and transaction types and PEXA Exchange's prices. PEXA charges its subscribers per successful PEXA Exchange transaction. PEXA does not charge set-up fees or subscription costs. PEXA groups its PEXA Exchange transactions into three categories: • Transfer lodgements: dealings connected to the transfer of a property title or sales transfer, and any associated discharges and mortgages in conjunction with the property transfer and other ownership transfers such as inheritance and family law matters. • Refinancing lodgements: dealings connected to the refinance of a debt facility secured by a mortgage, but which are not connected to a sales transfer and involve a discharge of an existing mortgage replaced by a new mortgage. • Other lodgements: other dealings lodged, either alone or together, but which are not connected to a transfer lodgement or a refinance lodgement such as a stand-alone discharge of mortgage lodged after a loan has been wholly repaid, a stand-alone mortgage lodged after a new loan is advanced, caveat-related dealings, death-related dealings, and lease-related dealings. A lodgement can lead to multiple dealings (and searches of the Register). The number of dealings that can be processed electronically determines the number of transactions for which an ELNO can charge a fee (billable transactions). In addition to PEXA Exchange transactions, PEXA charges for ordering and renewing the digital signing certificates it provides. Under the Model Operating Requirements, PEXA Exchange has a pricing policy that allows for price adjustments based on CPI and regulatory and input cost changes. In New South Wales, pursuant to the general conditions to operate an ELNO that apply to all ELNOs, Property Exchange Australia Limited's (PEAL) ELNO service fees must also be set in compliance with a 'CPI less X' pricing regime, where the 'X' factor is set by the New South Wales Registrar annually. As at the date of this Prospectus, the 'X' factor is set at 0 and has been since this pricing regime was introduced.	Refer Sections 2.3.3 and 3.3

4. Based on PEXA pricing schedule and estimated transaction volume for CY21 from BIS Oxford.

Topic	Summary	For more information
How many transactions are processed on the PEXA Exchange?	Based on BIS Oxford market size data and PEXA's internal transaction volume measures, PEXA forecasts that billable transactions in the Australian market will increase to 4.2 million transactions in FY21⁵. In the past five years, monthly PEXA Exchange transaction volumes have grown from approximately 10,000 transactions per month in December 2015 to over 300,000 transactions per month in March 2021, supported by new transaction types and jurisdictions. PEXA estimates that transactions will increase to 3.3 million for FY21 and 2.4 million transactions were processed in the financial year to March 2021. Future growth may occur due to continued market share increases in Queensland and Western Australia, and growth in the Australian population and housing market. Market volumes may also be impacted by changes in government policy, such as the proposed stamp duty reform in New South Wales to phase out stamp duty for residential property and replace it with an annual land tax⁶.	Refer Sections 3.3.2 and 2.2.2
What are PEXA's growth initiatives?	PEXA believes that the current assets and capabilities of the business present a range of opportunities for it to bring digital property settlement solutions to new jurisdictions and to expand into adjacent products and services offerings in the broader property market. PEXA is pursuing these opportunities through three initiatives, which it calls PEXA International, PEXA Insights, and PX Ventures. PEXA engaged Frost & Sullivan, a global consulting firm, to estimate the potential market sizes for a range of products and services that PEXA, PEXA International and PEXA Insights may develop. PEXA is providing these estimates to assist potential investors to understand the potential pool of revenue that may be available for particular products and services. It is important to understand that these estimates are estimates of a market size that may be available and are not estimates or predictions of future revenues or market share. The actual revenue available in the future to the products and services indicated will be subject to regulatory and third party approvals and many factors beyond PEXA's control, including changes in the property market, changes to the range of alternative or substitute products and services available and their pricing, changes in the range of channels to market available to service providers and general economic factors. Investors should refer to Sections 3.4 and 5.2.4.3 for further information and Section 10.11 of this Prospectus for an explanation of Frost & Sullivan's methodology. In addition, PEXA's growth opportunities in respect of PEXA International, PEXA Insights and PEXA Ventures are in their early stages and are forecast to generate losses in FY21 and FY22. PEXA has also previously sought to develop data insight products and services within PEXA Plus and PEXA Key without generating material revenue. See also, Section 4.8.2.1 in relation to the costs of funding those growth initiatives.	Refer Sections 3.4 and 4.8.2.1

5. Forecast market volumes for FY21 are based on BIS Oxford estimated market volumes for July 2020 to March 2021 and PEXA management estimates for April, May and June 2021.

6. CoreLogic media release: The state of stamp duty for Australian housing (December 2020).

Topic	Summary	For more information																				
What are PEXA's growth initiatives? <i>continued</i>	PEXA International: As a leading operational digital property settlements platform that completes both lodgement and settlement, PEXA will seek to bring digital property settlement solutions to other jurisdictions, particularly those with similar Torrens land title systems, based on PEXA's experience in the Australian market (with regulators, practitioners and financial institutions) in the development of those solutions. PEXA is working on an "international" version of its PEXA Exchange platform that is intended to provide a digital property settlement solution for new jurisdictions. PEXA has chosen the UK (through England and Wales) as the first jurisdiction for its international expansion. It has established a management presence in the UK, is developing relationships with key stakeholders and is working towards potentially commencing a pilot of an initial re-mortgaging solution in 2022. The table below outlines Frost & Sullivan's estimates of the potential market size of select potential addressable international market opportunities for PEXA International, which compares with a \$280 million⁷ potential market size for Australia. PEXA International potential market size for digital property settlements, population and dwellings for select market opportunities <table><tr><th>Country</th><th>Estimated digital property settlements potential market size (A\$m)¹</th><th>Population (m)²</th><th>Dwellings (m)²</th></tr><tr><td>Australia (for comparison)</td><td>\$280</td><td>25.7</td><td>10.6³</td></tr><tr><td>United Kingdom</td><td>\$719</td><td>66.8</td><td>27.8</td></tr><tr><td>New Zealand</td><td>\$89</td><td>5.0</td><td>2.0</td></tr><tr><td>Canada (Torrens jurisdictions only⁴)</td><td>\$234</td><td>37.7</td><td>12.4</td></tr></table> 1. Australia based on PEXA pricing schedule and estimated transaction volume for CY21 from BIS Oxford. United Kingdom, New Zealand and Canada per Frost & Sullivan Market Report. 2. Frost & Sullivan Market Report. 3. Per Australian Bureau of Statistics Residential Property Price Indexes: Eight Capital Cities. December 2020. 4. Excludes Quebec, Prince Edward Island, Newfoundland and Labrador. PEXA Insights: The PEXA Insights initiative stems from the recognition that the wealth of property and transaction data captured through the PEXA Exchange constitutes a uniquely comprehensive near real-time data set. Frost & Sullivan estimates that the potential market size for existing property data services is approximately \$400 million⁸. There is also a potential market for products and services that are not currently available which is described in Section 3.4.3. The PEXA Insights team is in the early stages of developing products and services that combine PEXA's property data with innovative data solutions for this market.	Country	Estimated digital property settlements potential market size (A\$m) ¹	Population (m) ²	Dwellings (m) ²	Australia (for comparison)	\$280	25.7	10.6 ³	United Kingdom	\$719	66.8	27.8	New Zealand	\$89	5.0	2.0	Canada (Torrens jurisdictions only ⁴)	\$234	37.7	12.4	Refer Sections 3.4 and 4.8.2.1
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7. Based on PEXA pricing schedule and estimated transaction volume for CY21 from BIS Oxford.

8. Frost & Sullivan Market Report.

Topic	Summary	For more information																																																																																				
What are PEXA's growth initiatives? <i>continued</i>	PX Ventures: PX Ventures aims to build on PEXA's digital and industry experience, innovative and entrepreneurial culture, and established relationships with key industry stakeholders to develop new business opportunities with partners for consumers, businesses, and governments across the property sector. PEXA may pursue opportunities itself but is also likely to enter into partnerships and joint ventures and invest in other businesses. See also Section 4.8.2.1 in relation to the costs of funding those growth initiatives.	Refer Sections 3.4 and 4.8.2.1																																																																																				
How many employees does PEXA have?	As at March 2021, 312 of PEXA's 361 staff were based in Victoria at PEXA headquarters located at 727 Collins Street, Docklands, Melbourne. The remainder of PEXA's staff located in other jurisdictions are predominantly focused on Subscriber support or PEXA Insights.	Refer Section 3.5.1																																																																																				
What is PEXA's pro forma historical and forecast financial performance?	<table><thead><tr><th></th><th colspan="3">Pro Forma Historical</th><th colspan="2">Pro Forma Forecast</th></tr><tr><th>\$ million</th><th>FY18</th><th>FY19¹</th><th>FY20</th><th>FY21</th><th>FY22</th></tr></thead><tbody><tr><td>Revenue</td><td>39.0</td><td>109.1</td><td>155.6</td><td>218.5</td><td>246.9</td></tr><tr><td>Gross Profit</td><td>27.5</td><td>86.3</td><td>132.6</td><td>189.0</td><td>214.9</td></tr><tr><td>PEXA Exchange EBITDA²</td><td>(41.6)</td><td>(30.2)</td><td>51.6</td><td>108.2</td><td>126.3</td></tr><tr><td>EBITDA</td><td>(41.6)</td><td>(33.8)</td><td>45.3</td><td>99.7</td><td>107.6</td></tr><tr><td>Profit/(loss) after tax</td><td>(67.8)</td><td>(69.7)</td><td>(4.5)</td><td>(4.6)</td><td>19.6</td></tr></tbody></table> <table><thead><tr><th></th><th colspan="3">Statutory Historical</th><th colspan="2">Statutory Forecast</th></tr><tr><th>\$ million</th><th>FY18</th><th>FY19³</th><th>FY20</th><th>FY21</th><th>FY22</th></tr></thead><tbody><tr><td>Revenue</td><td>–</td><td>54.4</td><td>155.6</td><td>218.5</td><td>246.9</td></tr><tr><td>Gross Profit</td><td>–</td><td>43.2</td><td>132.6</td><td>189.0</td><td>214.9</td></tr><tr><td>PEXA Exchange EBITDA</td><td>–</td><td>4.9</td><td>57.9</td><td>114.7</td><td>126.3</td></tr><tr><td>EBITDA</td><td>–</td><td>1.2</td><td>51.7</td><td>94.7</td><td>75.6</td></tr><tr><td>Profit/(loss) after tax</td><td>–</td><td>(22.2)</td><td>(0.0)</td><td>(9.8)</td><td>(2.5)</td></tr></tbody></table>		Pro Forma Historical			Pro Forma Forecast		\$ million	FY18	FY19 ¹	FY20	FY21	FY22	Revenue	39.0	109.1	155.6	218.5	246.9	Gross Profit	27.5	86.3	132.6	189.0	214.9	PEXA Exchange EBITDA ²	(41.6)	(30.2)	51.6	108.2	126.3	EBITDA	(41.6)	(33.8)	45.3	99.7	107.6	Profit/(loss) after tax	(67.8)	(69.7)	(4.5)	(4.6)	19.6		Statutory Historical			Statutory Forecast		\$ million	FY18	FY19 ³	FY20	FY21	FY22	Revenue	–	54.4	155.6	218.5	246.9	Gross Profit	–	43.2	132.6	189.0	214.9	PEXA Exchange EBITDA	–	4.9	57.9	114.7	126.3	EBITDA	–	1.2	51.7	94.7	75.6	Profit/(loss) after tax	–	(22.2)	(0.0)	(9.8)	(2.5)	Refer Section 4.3
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1. PEXA's Statutory Historical Income Statement for FY19 reflects the results of Torrens Group Holdings Pty Ltd for the period from 16 January 2019 to 30 June 2019. Torrens Group Holdings Pty Ltd was incorporated on 4 October 2018, however was dormant until the acquisition of Property Exchange Australia Limited (PEAL) on 16 January 2019. FY18 shows nil values as Torrens Group Holdings Pty Ltd did not exist during this period, however is relevant for the purposes of the Pro Forma Income Statements – see Section 4 for details. 2. Defined as earnings or losses before interest, taxation, depreciation and amortisation and excluding certain project and other non-PEXA Exchange related costs. 3. See Footnote 1. Certain financial information presented above contains non-IFRS financial measures and is intended as a summary only and should be read in conjunction with the more detailed discussions of the Financial Information disclosed in Section 4, as well as the risk factors in Section 5.																																																																																						

Topic	Summary	For more information
What will PEXA's capital structure be on Completion?	On Completion, PEXA expects to have approximately 177.3 million Shares on issue. There will be no classes of Shares on issue other than fully paid ordinary Shares. PEXA's pro forma forecast net debt is expected to be \$280.5 million as at 30 June 2021, which reflects the pro forma historical net debt of \$324.3 million as at 31 December 2020 and the estimated increase in pro forma forecast free cash flow in 2H FY21 of \$43.8 million. Some companies within the Group (known as the 'Obligor Group'), will enter into a senior unsecured 5-year revolving debt facility of \$335 million documented under a Syndicated Facility Agreement. On Completion, a drawdown of \$335 million from the new banking facilities in conjunction with proceeds from the issue of new Shares under the Offer will be utilised to repay existing shareholder loans and pay transaction costs in relation to the Offer.	Refer Section 4.4
How does the Company expect to fund its operations?	PEXA's principal sources of funds are expected to be cash flows generated from operations, cash on hand and borrowings under the New Banking Facilities. Following Completion, PEXA expects that it will have sufficient cash to meet its operational and working capital requirements during the forecast periods and to meet its stated business objectives.	Refer Section 4.4
What is PEXA's dividend policy?	The payment of Dividends by the Company, if any, and subject to any contractual, legal or regulatory restrictions, is at the complete discretion of the Directors, and the Directors do not provide any assurance of the future level of dividends paid by the Company. The ability to pay dividends will depend on a number of factors, many of which are beyond the control of the Company. In determining whether to declare future dividends, the Directors will have regard to PEXA's earnings, overall financial condition and capital requirements, taxation considerations (including the level of franking credits available), the general business environment, and any other factors that the Directors may consider to be relevant. The Directors do not expect to pay a dividend in respect of the FY21 financial year.	Refer Section 4.12

1.2. Key features of PEXA's industry

Topic	Summary	For more information
What industries does PEXA operate in?	PEXA primarily operates in the Australian property sector, which is the largest asset class in Australia, playing an important role in the lives of almost all Australians. As an industry, property makes a substantial contribution to the Australian economy, representing a significant proportion of GDP⁹ and is supported by long-term structural trends. A key feature of the industry is the transfer of properties, with more than 400,000¹⁰ properties changing hands each year. The main parties involved in these transactions are the property buyers and sellers, government bodies, conveyancers and legal firms (which PEXA collectively refers to as practitioner firms), financial institutions, real estate agents, brokers and developers.	Refer Section 2.1
What is conveyancing?	Conveyancing comprises the steps involved to effect a change in a registered interest of a property. Conveyancing transactions are generally managed by practitioner firms who provide specialist advisory services to those selling or buying a property or engaging in other property-related transactions. A typical transfer transaction involves the following: • Pre-contract period: decision making on whether to conduct the transfer; • Contract: prepare, exchange and review the contract which governs the transaction; • Settlement: money and the relevant interest in land is exchanged; • Lodgement: relevant documents are lodged with Land Titles Offices; and • Post-lodgement: notification of the completion of a transaction. Lodgements are classified by reference to the underlying purpose of the transaction. Dealings are lodged with a Land Titles Office and grouped into lodgement types. A lodgement can lead to multiple dealings. The PEXA Exchange facilitates the online review of dealings, lodgement and settlement steps of the conveyancing process.	Refer Section 2.3.1
What is e-conveyancing?	Electronic conveyancing (or e-conveyancing) allows users to execute the lodgement and settlement stages of the conveyancing process electronically (which is described as digital property settlements in this Prospectus). This facilitates a more efficient and transparent settlement and lodgement process and reduces the errors and settlement risks associated with the traditional paper-based conveyancing process.	Refer Section 2.3.2

9. Total contribution to Gross Domestic Product (GDP) by all industries in Australia 2015-2016 as per Property Council of Australia, Economic Significance of the Property Industry to the Australian Economy.

10. Per Australian Bureau of Statistics Residential Property Price Indexes: Eight Capital Cities. December 2020.

Topic	Summary	For more information
What are the benefits of e-conveyancing?	Prior to e-conveyancing, conveyancing had been primarily a paper-based process and settlement could only be achieved when all documentation was physically exchanged, and funds received by all parties. This process was historically inefficient and prone to errors. Some of the key common benefits for all participants in an e-conveyancing sales transfer transaction include: • fewer manual processes, reducing the risk of a delayed settlement; • visibility of documents earlier in the process to reduce errors and delays; • potential for greater transparency around the settlement process; and • greater security and comfort by facilitating document checks and title activity earlier.	Refer Section 2.3.2
How has e-conveyancing evolved over time?	In collaboration with government and industry bodies, PEXA has pioneered the development of the network required to support Australia's transition to digital property settlements. In 2008, e-conveyancing was added to the Council of Australian Governments' agenda of deregulation priorities, with the aim to build a national system to electronically lodge and settle property transactions. This led to an industry-wide collaboration on the digitisation of national property lodgement and settlement processes, the establishment of a comprehensive regulatory and legal framework and the re-engineering of legacy operations and processes of key market participants in order to enable the transition to digital property settlements.	Refer Section 2.3.4
What is the addressable e-conveyancing market?	The size of the addressable market for digital property settlements in Australia is predominantly a function of: • the number and type of lodgements in each State and Territory; and • whether the dealing is of a type which can be processed electronically. While most dealing types by volume can be processed electronically, there continue to be a limited number of complex or unconventional dealings that cannot. The number of those dealings that can be processed electronically determines the number of transactions for which an ELNO can charge a fee (billable transactions). The total number of all billable transactions is the addressable market for digital property settlements. Based on BIS Oxford market size data and its internal transaction volume measures, PEXA forecasts that billable transactions will increase to 4.2 million transactions in FY21 and 4.1 million transactions in FY22¹¹. PEXA estimates that the total potential addressable market opportunity for the PEXA Exchange in Australia will be approximately \$280 million¹² for calendar year 2021.	Refer Sections 2.3.2 and 2.3.3

11. Forecast market volumes for FY21 are based on BIS Oxford estimated market volumes for July 2020 to March 2021 and PEXA management estimates for April, May and June 2021. FY22 is a BIS Oxford forecast. BIS Oxford projection for volumes in FY22 is contingent on its projections for FY21, which may differ from the management estimates for April, May and June FY21.

12. Based on PEXA pricing schedule and estimated transaction volume for CY21 from BIS Oxford.

Topic	Summary	For more information
Who does PEXA compete with?	The PEXA Exchange currently competes primarily against paper-based conveyancing, however emerging competitors include two other ELNOs. One of these ELNOs has been granted approval to operate and another is seeking approval from the Australian Registrars' National Electronic Conveyancing Council (ARNECC). In the future, PEXA may also potentially compete against other new ELNOs, as well as new and existing service providers across the broader property market for the adjacent products and services that PEXA plans to provide through PEXA Insights and PX Ventures. In addition, PEXA may compete with other service providers as it seeks to expand into offshore markets with PEXA International.	Refer Section 2.5
How is the e-conveyancing industry regulated?	PEXA operates its business within a complex regulatory environment. ARNECC is the body that oversees the implementation and ongoing management of the national regulatory framework for electronic conveyancing. ARNECC is an advisory and co-ordination committee that advises the States and Territories on proposed changes to the Electronic Conveyancing National Law and matters relating to electronic conveyancing, administering the entry of new ELNOs and developing the Model Operating Requirements for ELNOs and the Model Participation Rules that apply for Subscribers.	Refer Section 2.6.2
What is interoperability and why has there been regulatory reform?	Interoperability refers to the ability of different ELNOs to communicate with each other to complete a property transaction. At present, there is currently no interoperability between ELNOs in the Australian conveyancing market and consequently all parties to an electronic conveyancing transaction must use the same ELNO. There has been significant engagement between industry and governments over several years to develop a national interoperability model. ARNECC is working toward facilitating the first stages of interoperability by the end of 2021¹³ and has announced an implementation plan for the incremental roll out of interoperability over 2022 by jurisdiction and lodgement type. PEXA, working with ARNECC, Sympli and other key industry stakeholders, including peak industry bodies, financial institutions, land registries and state revenue offices, has been actively involved in the development of the national interoperability model.	Refer Section 2.6.4

13. Refer to www.arnecc.gov.au for further details.

Topic	Summary	For more information
What is the proposed interoperability model?	The proposed interoperability model will apply to electronic conveyancing transactions in which the participants have chosen to use different ELNOs. To enable the transfer of data between ELNOs, ARNECC is facilitating the development of interoperability application programming interfaces (APIs), known as the National e-Conveyancing Interoperability Standards, that will enable ELNOs to exchange data and communicate. For each interoperable transaction one ELNO will be designated as the 'Responsible ELNO'. The Responsible ELNO will coordinate the transaction and interact with the relevant Land Titles Office, financial institutions and (where required) State Revenue Office. It will also perform the financial and lodgement components required to complete the transaction. Other ELNOs that host one or more subscribers in the transaction are designated as 'Participating ELNO(s)'. Under the proposed interoperability model, the Participating ELNO(s) will pay a fee to the Responsible ELNO for the larger scope of services and the higher level of risk that it undertakes to orchestrate and execute an interoperable transaction. The parties are yet to negotiate and agree on the fee structure for interoperability, but ARNECC has proposed that until the market matures, Registrars should have power to regulate, or impose principles around, the pricing of such fees.	Refer Sections 2.6.4.2 and 10.9.4

1.3. Key strengths

Topic	Summary	For more information
Critical cloud-based platform underpinning a growing market opportunity	- Services support the largest asset class in Australia, real property - Attractive market position currently addressing more than 80% of Australian transfer transactions and more than 90% of refinancing transactions - To date, the robust, resilient, cloud-based, platform has been used to electronically lodge and settle more than 1.3 million property transfers and approximately 1.0 million mortgage refinancing settlements¹⁴, with a total transaction value of more than A\$1.3 trillion¹⁵ - Favourable industry conditions driven by transition to e-conveyancing with revenue underpinned by stable long-term property market transaction growth - The Australian property market is underpinned by long-term drivers including population growth, declining average household size, relatively high real income levels, low levels of unemployment and a high proportion of dwellings with mortgages.	Refer Sections 3.1 and 3.2.1.1

14. Estimate based on number of Workspaces (differs from billable transactions, as there may be multiple transactions per completed settlement or mortgage refinancing).

15. As at March 2021.

Topic	Summary	For more information
Supported by and benefits various industry stakeholders	- Registered PEXA Exchange Subscribers total more than 9,400 practitioner firms and over 160 financial institutions. - Established contractual relationships with more than 160 financial institutions, representing a vast majority of mortgage lending in Australia. - Backend integrations with financial institutions, six Land Titles Offices and five State Revenue Offices¹⁶, a result of many years of investment.	Refer Section 3.2.1.3
Customer-focused platform and market leading brand	- Market research commissioned by PEXA indicates that PEXA is viewed by conveyancing industry participants as innovative, customer focused and effective¹⁷. - Rated ahead of its key peers across several brand perception metrics, including Net Promoter Score (NPS)¹⁸, and brand trust¹⁹. According to the survey, PEXA had an NPS of +55 and a brand trust score of 8.7. - PEXA believes that strong brand trust reflects an openness to trial new products, positioning PEXA to leverage its relationships to expand and accelerate take-up of new products and services.	Refer Section 3.2.1.1
Purpose-built proprietary technology platform that is highly reliable and secure	- The PEXA Exchange is built around principles of high availability, reliability and security with the platform typically achieving greater than 99.9% monthly availability²⁰. - PEXA maintains a cyber security and data protection framework, including ongoing monitoring. - The PEXA Exchange has become a critical piece of infrastructure for many property market participants and has enabled the Australian property market to continue transacting throughout COVID-19.	Refer Sections 3.2.1.1 and 3.6.3.1
Strong operating leverage to drive further profitability and cash flow generation	- As a platform business, PEXA has significant operating leverage. Pro forma forecast PEXA Exchange EBITDA margins have increased from 31% in 1H FY20 to 51% for 2H FY21 and continue to trend higher as transaction volumes increase. - Given the digital nature of the platform, there is minimal incremental cost required to support additional transactions. - Having over 80% market share of all property transfers across Australia in March 2021, PEXA is currently a business of scale with further market adoption expected to drive EBITDA benefits. Further, PEXA's product pricing increases each year by approximately CPI, and expects to continue to see operating leverage on its mostly fixed cost base.	Refer Section 3.1.2

16. Based on jurisdictionally specific industry process requirements there is no need to develop an integration with the State Revenue Office to enable stamp duty processing in the ACT.

17. PEXA commissioned Nature, a market insights consultancy, to conduct market research. These results are based on a survey of 398 conveyancing industry participants conducted in December 2020 and considered PEXA against market competitors.

18. Which is a measure of the percentage of survey participants who indicate they would recommend a company to peers in their industry, less those who indicate they would not.

19. Which reflects the results of survey participants being asked to rate companies on a scale of 1-10 as a trusted provider of products or services to their business.

20. Annual (calendar year) simple average of monthly availability and reliability figures. See also Section 3.6.3.1.

Topic	Summary	For more information
Well positioned under maturing industry model	Under the current proposed interoperability model, the PEXA Exchange's strong technological capabilities and integration with financial institutions and State Revenue Offices mean it is likely well positioned to be the Responsible ELNO for the majority of interoperable transactions in the short term.	Refer Section 2.6.4.2
Pursuing a number of strategic growth initiatives	PEXA has opportunities to enter new jurisdictions and to expand the business into new products and services. PEXA has commenced investment in its team, capabilities and infrastructure to support these strategic growth initiatives and address, potential market opportunities: PEXA International: PEXA will seek to bring its unique digital property settlements solutions to new jurisdictions, based on PEXA's experience in the Australian market (with regulators, practitioners and financial institutions) in the development of those solutions. A team has been established in the UK and Australia to enter the UK market (England and Wales initially) and PEXA has also commenced assessment of the New Zealand and Canada markets; PEXA Insights: seeks to appropriately harness near real-time, accurate and near comprehensive property data from the PEXA Exchange and other data sources to generate valuable data-driven insights; and PX Ventures: aims to build on PEXA's digital and industry experience, innovative and entrepreneurial culture, and established relationships to develop new business opportunities with partners for consumers, businesses and governments across the property sector.	Refer Section 3.4
Highly experienced management team with a strong track record of success	- PEXA has a highly experienced senior management team. - PEXA was included as part of the Top 100 Most Popular Graduate Employers in 2020 and has been recognised as having one of Australia's Most Innovative Human Resources Teams in 2020 and 2021 by HRD Australia. The company received an Excellence Award for Best Workplace Flexibility Program from Australian HR Awards in 2020.	Refer Sections 3.1.1 and 6.2

1.4. Key risks

Below is a selection of key risks considered to be most material to PEXA. Refer to Section 5 for further risks identified.

Topic	Summary	For more information
Evolving regulatory environment	PEXA operates its business within a complex and evolving regulatory environment in Australia, and is likely to face more new and evolving regulation as PEXA's products and services expand, as well as in the international jurisdictions in which it intends to expand. Changes to laws and regulations, or their interpretation and application, can be unpredictable and are outside of PEXA's control. The Australian regulatory environment for e-conveyancing is developing, particularly as it relates to potential market structures and operating models and future regulatory treatment is uncertain. In addition to regulation that is specific to the e-conveyancing industry, PEXA's business may also be affected by a range of other laws, including financial services and banking laws, privacy and data protection law and competition and consumer laws. PEXA's plan to expand its business into new areas and growth of existing products and services will expose it to new regulatory impacts, including that it may require regulatory and third party approval. Furthermore, as the business grows, regulatory compliance may become significantly more complex and may require PEXA to develop new compliance procedures, which may not evolve at the same pace as the business, or which may not be effective.	Refer Section 5.2.1
Competition, interoperability and market structure risks	One other ELNO has been granted approval to operate and another is seeking approval from ARNECC. Approved ELNOs will seek to deliver services and obtain revenue that would otherwise be obtained by PEXA. Establishing interoperability may subject PEXA to additional risks, including the risk of disruption to its normal operations as a result of making the necessary changes to its platform and processes, additional implementation costs, and the diversion of the time and attention of management and technical staff time. It may also introduce new competition risks and IT systems and cyber security risks to PEXA. Discussions and negotiations on interoperability fee levels between ELNOs are yet to commence. Once established, interoperability may result in PEXA achieving lower revenue compared to what it would achieve in a non-interoperable environment. In the longer term, because interoperability may enable ELNOs to service customers without a stand-alone platform and network, interoperability may accelerate competition by facilitating integration between alternative platform providers and subscribers. In addition, it is uncertain whether insurance will be available at a reasonable cost to cover these risks. PEXA's market position is also affected by general competitive factors. The market in Australia for digital property settlement services is rapidly evolving and PEXA may face additional competition in Australia. PEXA may also face competition in any international markets it enters. As these markets continue to mature and as existing competitors grow their businesses and new competitors enter, PEXA expects competition to intensify.	Refer Section 5.2.2

Topic	Summary	For more information
IT and system security risks	Key IT and system security risks can be categorised into the following situations: • Cyber security and fraud: Measures taken by PEXA, or its third party providers, to prevent technology breaches on the PEXA Exchange or other international platforms used by PEXA may be inadequate. In addition, there are also security risks in connection with the broader PEXA Exchange ecosystem. • Reliance on third party technology systems and processes and IT suppliers: PEXA relies on a number of third party systems and processes, as well as contracts with third party suppliers to maintain and support the PEXA Exchange, the failure of which could impact PEXA's ability to provide services to its subscribers, or the service levels PEXA provides, among other matters. • Business disruption and system failures: PEXA's software and hardware technology infrastructure may be exposed to damage or interruption from system failures, power loss, telecommunications failures, inadequate safeguards implemented by other ELNOs or third party service providers, inadequate system maintenance, damage to the physical infrastructure, disasters from natural or human causes, misuse, human error or other unforeseen events.	Refer Section 5.2.3
Financial, business, and economic risks	Decrease in lodgements due to general economic conditions: • A key factor driving PEXA's financial performance is the volume of transactions in the property market, which is affected by changes in general economic conditions, which are beyond PEXA's control. Some of the factors that can affect the volume of property transactions include housing affordability, population growth and demographic changes, general economic growth, domestic investor demand and levels of foreign investment. • Increases in property prices, potential policy changes (such as negative gearing or stamp duty) and availability of credit may impact the volume of property transactions. The property market cycle is inherently uncertain. • Economic conditions may be negatively impacted by major shock events, such as natural disasters, epidemics and pandemics (such as the ongoing COVID-19 pandemic), war and terrorism, and political and social unrest. Lower-than-expected use of PEXA Exchange: • PEXA's financial performance and results may be adversely impacted if the addressable transactions through the PEXA Exchange do not increase as anticipated or actual registration and utilisation differ from the assumptions.	Refer Section 5.2.4

Topic	Summary	For more information
Financial, business, and economic risks <i>continued</i>	Growth initiatives and opportunities: • There is a risk that PEXA's growth initiatives are ineffective, difficult to implement and/or more costly than expected. • There is a risk that PEXA is unable to develop and grow additional revenue streams from these growth initiatives, or the development of these businesses may be slower than expected. While PEXA has provided estimates of some potential market sizes for its growth initiatives, it may not earn a share of this revenue. • These growth initiatives may be affected by the entry and success of competitive products and services, including from larger competitors with greater resources. • PEXA's plan to develop a data services business and new ventures through PX Ventures faces regulatory risks. COVID-19: • Continued uncertainty due to COVID-19, as well as the possibility of an economic downturn of unknown duration or severity in certain jurisdictions key to PEXA's current and future operations, may impact PEXA's financial performance and financial condition. Deterioration of key relationships: • The success of PEXA's business and ability to grow in Australia relies on its existing relationships with ARNECC, Registrars, the Land Titles Offices, State Revenue Offices, the Reserve Bank of Australia, financial institutions, practitioner firms and other industry bodies. • PEXA's ability to grow internationally relies on it successfully creating key relationships with land registries, regulators, and financial institutions in the relevant jurisdictions. • There is a risk that PEXA does not adequately manage its key external relationships, which could result in a loss of trust and confidence in PEXA and the PEXA Exchange. Other key business risks which are further explained in Section 5 include: • failure to attract and retain key personnel; • failure of internal controls; • failure to protect intellectual property rights; • infringement of third-party intellectual property rights; • PEXA may not have access to equity and debt funding; • availability of insurance, including due to cyber and security related risks; • availability of research and development related tax benefits; • damage to brand and reputation; • acquisitions, strategic investments, and partnerships; and • anti-corruption and anti-bribery.	Refer Section 5.2.4

Topic	Summary	For more information
General risks	Price of Shares may fluctuate: - Once PEXA becomes a publicly listed company on the ASX, it will become subject to general market risks that are inherent in all securities listed on a securities exchange. Significant retained holding by certain Existing Shareholders: - The Existing Shareholders, if they act together, would be able to exert a significant degree of influence over the Company's management and affairs and over matters requiring Shareholder approval, including the nomination and election of Directors and approval of significant corporate transactions. The interests of these Existing Shareholders may differ from the interests of the Company and the interests of Shareholders who purchase Shares under the Offer. Trading in Shares may not be liquid: - Once the Shares are quoted on the ASX, there can be no guarantee that an active trading market for the Shares will develop or that the price of the Shares will increase. Change of control: - PEAL's operating agreements, approval conditions and deed of operation (as described in Section 5.3.4) contain change of control provisions that require PEAL to obtain consent from the Registrars and applicable parties prior to a change in control of PEAL, which is defined broadly. The process to obtain such approval may be lengthy and impact the potential attractiveness of PEXA to potential acquirers. Debt service: - PEXA's ability to make scheduled payments on, or refinance, its debt obligations, depends on its financial condition and operating performance, which are subject to a number of factors beyond its control. PEXA may be unable to maintain a level of cash flows from operating activities sufficient to permit it to repay the principal and interest on its indebtedness. Litigation, disputes or regulatory enforcement or investigations: - PEXA may, from time to time, be subject to litigation, regulatory investigation and/or enforcement, and other claims and disputes in the course of its business. Inability to pay dividends: - PEXA's ability to pay dividends or make other distributions in the future is impacted by its profits and cash flows. Expected future events may not occur: - Certain statements in this Prospectus constitute forward-looking statements, which involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance and achievements of PEXA to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.	Refer Section 5.3

Topic	Summary	For more information
General risks <i>continued</i>	There is a risk of Shareholder dilution: • In the future, PEXA may elect to issue Shares (or securities convertible into Shares). While PEXA will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12-month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues of Shares or securities. Adverse taxation changes may occur: • Australian taxation laws are complex and subject to change, as is their interpretation by the Courts and the Australian Taxation Office. Australian Accounting Standards (AAS) may change: • AAS are set by the Australian Accounting Standards Board (AASB) and are outside the control of either PEXA or its Board. The AASB may, from time to time, introduce new or refined Australian Accounting Standards, which may affect future measurement and recognition of key income statement and statement of financial position items. Force majeure events may occur: • Events may occur within or outside Australia that could impact upon the Australian economy, PEXA's operations and the price of the Shares. The events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease and pandemics (including the current COVID-19 pandemic) or other natural or man-made events or occurrences that can have an adverse effect on the demand for PEXA's services and its ability to conduct business.	Refer Section 5.3

1.5. Directors and senior management

Topic	Summary	For more information
Who are the Directors of PEXA?	The Board comprises the following members: • Mark Joiner (Independent Chairman) • Glenn King (Group Managing Director, Chief Executive Officer and Executive Director) • Vivek Bhatia (Non-Executive Director and Link Group Nominee Director) • Dr Kirstin Ferguson (Independent Non-Executive Director) • John Hawkins (Non-Executive Director and Link Group Nominee Director) • Paul Rickard (Non-Executive Director and Commonwealth Bank of Australia Nominee Director) • Melanie Willis (Independent Non-Executive Director)	Refer Section 6.1

Topic	Summary			For more information
What significant benefits are payable to Directors, key management and other persons connected with PEXA or the Offer and what significant interests do they hold?	Name	As at Prospectus Date	Number of Shares held immediately following Completion	Refer Section 6.4
	Mark Joiner	–	29,187	
	Glenn King ²¹	–	1,155,637	
	John Hawkins	–	5,837	
	Dr Kirstin Ferguson	–	14,593	
	Melanie Willis	–	14,593	
	Paul Rickard	–	5,837	
	Vivek Bhatia	–	5,837	
	Richard Moore ²²	–	577,818	
	Simon Smith ²³	–	105,587	
Directors and management may hold their interest in securities shown above directly or indirectly through holdings by companies or trusts. Non-executive Directors are entitled to apply for Shares under the Employee and Director Offer. The above table takes into account all Shares the Directors or key management may acquire under the Offer. In addition to the above, the Directors and key management are entitled to remuneration and fees on commercial terms as disclosed in Section 6.4. Advisers and other service providers are entitled to fees for services provided in connection with the Offer and have other interests as disclosed in Section 6.4.10.				
Are there any escrow arrangements?	No, except for escrow arrangements in relation to Shares issued: • under the Employee and Director Offer and Employee Gift Offer; and • to Escrowed Management in connection with the unwind of the MEP. Details are provided in Sections 6.4.8.2, 7.3.3.5, 7.3.4.5 and 9.5.			Refer Section 7.2
Transactions with material Shareholders	Other than as disclosed in this Prospectus, the Company is not party to any material related party arrangements.			Refer Section 6.6

21. At the Prospectus Date, Glenn King does not hold any Shares in the Company. Refer to Figure 91 for details.

22. At the Prospectus Date, Richard Moore does not hold any Shares in the Company. Refer to Figure 91 for details.

23. At the Prospectus Date, Simon Smith does not hold any Shares in the Company. Refer to Figure 91 for details.

1.7. Details of the Offer

Topic	Summary	For more information
Why is the Offer being conducted?	The Offer is being conducted to: • provide Existing Shareholders with an opportunity to monetise all or part of their investment in PEXA; • provide Practitioners, Employees and non-executive Directors with the opportunity to be Shareholders; • meet working capital requirements; • provide a liquid market for the Shares and an opportunity for others to invest in the Company; and • provide the Company with access to capital markets and improved capital management flexibility.	Refer Section 7.1.2
Who is the issuer of this Prospectus?	• Torrens Group Holdings Limited (ABN 23 629 193 764) (to be renamed 'PEXA Group Limited') (the Company). • PEXA SaleCo Limited (ACN 650 590 131) (SaleCo)).	
What is the Offer?	The Offer is an IPO of 12.6 million new Shares to be issued by the Company and 56.0 million Shares to be sold by SaleCo. The Shares being offered will represent approximately 38.7% of the total outstanding Shares on issue on Completion. A summary of the rights attaching to the Shares is set out in Section 7.10.	Refer Section 7.1
Who is SaleCo?	SaleCo, a special purpose vehicle, has been established to facilitate the sale of existing Shares by the Selling Shareholders.	
What is the consideration payable for the Shares?	The Offer Price is \$17.13 per Share. Successful Applicants under the Practitioner Offer, Institutional Offer, Broker Firm Offer and Employee and Director Offer will pay the Offer Price. Eligible Employees and non-executive Directors participating in the Employee and Director Offer will also receive a one for four matching award from PEXA (the Matching Shares). Employees who have participated in the MEP won't be eligible to participate in the Employee Gift Offer or the Employee and Director Offer. No consideration is payable for Shares issued under the Employee Gift Offer or for the Consideration Shares.	Refer Section 7.2

Topic	Summary	For more information
What is the proposed use of proceeds received in connection with the Offer?	The proceeds of the Offer received by the Company will be applied as follows: • to continue to invest in the development of the PEXA Exchange and growth initiatives; • for general corporate purposes; • to refinance debt facilities; and • to pay for the costs associated with the Offer. The proceeds of the Offer received by SaleCo in respect of the sale of Shares by it will be paid to SaleCo and paid by SaleCo to the Selling Shareholders.	Refer Section 7.1.2
How is the Offer structured/ who is able to participate?	The Offer comprises the Institutional Offer and the Retail Offer, each of which are described below: • the Institutional Offer, which consists of an offer to Institutional Investors in Australia and certain other jurisdictions around the world, made under this Prospectus (see Section 7.4); and • the Retail Offer, which consists of the: • Broker Firm Offer, which is open to Australian resident retail clients of Brokers who have received a firm allocation of Shares from their Broker (see Section 7.3.1); • Practitioner Offer, which is open to Eligible Practitioners received a Practitioner Offer invitation to apply for shares from the Company (see Section 7.3.2); • Employee and Director Offer, which is open to Eligible Employees and non-executive Directors (see Section 7.3.3); and • Employee Gift Offer, which is open to Gift Entitled Employees (see Section 7.3.4).	Refer Section 7.1.1
Is the Offer underwritten?	Yes (other than the Matching Shares and Employee Gift Offer).	Refer Section 7.6
Who are the Joint Lead Managers for the Offer?	The Joint Lead Managers are Barrenjoey Advisory Pty Limited, Macquarie Capital (Australia) Limited, Morgan Stanley Australia Securities Limited and UBS AG, Australia Branch.	Refer Section 7.2

Topic	Summary	For more information
Will the Shares be quoted on the ASX?	The Company applied to ASX within seven days of the date of the Original Prospectus for admission to the Official List of the ASX and quotation of Shares on ASX under the code “PXA”. The issue/sale price for all Shares will be at least 20 cents in cash. Completion is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable, in accordance with the requirements of the Corporations Act. The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time. ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of PEXA or the Shares offered for subscription.	Refer Section 7.9
What is the allocation policy?	The allocation of Shares between the Institutional Offer and the Retail Offer will be determined by the Company and SaleCo in agreement with the Major Shareholders and consultation with the Joint Lead Managers, having regard to the allocation policies outlined in Section 7.2. For Broker Firm Offer participants, it will be a matter for Brokers to determine how they allocate Shares among their eligible retail clients, and brokers (and not the Company, SaleCo or the Joint Lead Managers) will be responsible for ensuring that retail clients who have received an allocation from them receive the relevant Shares. The allocation of Shares under the Practitioner Offer will be determined by the Company, provided that the allocations pursuant to the Practitioner Offer (in aggregate) do not exceed \$30 million. There will not be a maximum application for each Eligible Practitioner. Each Eligible Practitioner will not receive a guaranteed minimum or maximum allocation worth of Shares at the Offer Price. The allocation of Shares under the Employee and Director Offer will be determined by the Company in its sole discretion. Each Eligible Employee will be guaranteed their full application size (subject to the Company being able to apply sufficient funds from an Eligible Employee’s sacrificed salary). Directors will be guaranteed their full application size. Eligible Employees and non-executive Directors participating in the Employee and Director Offer (other than in respect of the Consideration Shares) will also receive Matching Shares on a one for four basis (at no cost to the employee or non-executive Director). Under the Employee Gift Offer, each Gift Entitled Employee who accepts the Offer will be issued the nearest number of whole Shares (rounded down) to the value of \$1,000 at the Offer Price, at no cost to the employee. The Company, SaleCo, in agreement with the Major Shareholders, and the Joint Lead Managers have absolute discretion regarding the allocation of Shares to Applicants under the Offer, and may reject an application or bid, or allocate fewer Shares than the number or the equivalent dollar amount than applied or bid for.	Refer Sections 7.3 and 7.4

Topic	Summary	For more information
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by applicants on acquisition of Shares under the Offer. See Section 6.4.10 for details of various fees payable by the Company to the Joint Lead Managers, and by the Joint Lead Managers to the Joint Lead Managers and Brokers.	Refer Section 7.2
What are the tax implications of investing in the Shares?	Refer to Section 10.8 and note that it is recommended that all Shareholders and Applicants consult their own independent tax advisers regarding the income tax (including capital gains tax), stamp duty and GST consequences of acquiring, owning and disposing of Shares, having regard to their specific circumstances.	Refer Section 7.2
How can I apply?	Broker Firm Offer Applicants may apply for Shares by completing the Application Form included in or accompanying this Prospectus and lodging it with the Broker who invited them to participate in the Offer. Applicants under the Practitioner Offer, the Employee and Director Offer and Employee Gift Offer may apply for Shares by applying online at http://www.pexa.com.au/ipo, once the Offer is open. To the extent permitted by law, an Application by an Applicant may not be varied and is irrevocable.	Refer Section 7.3
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched by standard post on or about 6 July 2021. Refunds to applicants who make an application and are scaled back will be made as soon as possible after Settlement of the Offer, which is expected to occur on or about 1 July 2021. No refunds will be made where the overpayments relate solely to rounding.	Refer Section 7.2
When can I sell my Shares on ASX?	It is expected that trading of the Shares on ASX will commence on 1 July 2021, initially on a conditional and deferred settlement basis. Normal settlement trading is expected to commence on or about 5 July 2021, with holding statements dispatched to Shareholders on or about 6 July 2021. It is the responsibility of each applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial statement of holding do so at their own risk.	Refer Section 7.9.3
Can the Offer be withdrawn?	The Company may withdraw the Offer at any time before the issue or transfer of Shares to successful Applicants. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).	Refer Section 7.8
Where can I find out more information about this Prospectus and the Offer?	Enquiries in relation to this Prospectus may be directed to the PEXA Offer Information Line on 1800 129 431 (toll free) (within Australia) or +61 1800 129 431 (outside Australia) from 8.30am until 5.30pm (Melbourne time) Monday to Friday, excluding public holidays. Enquiries in relation to the Broker Firm Offer should be directed to your Broker. If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.	

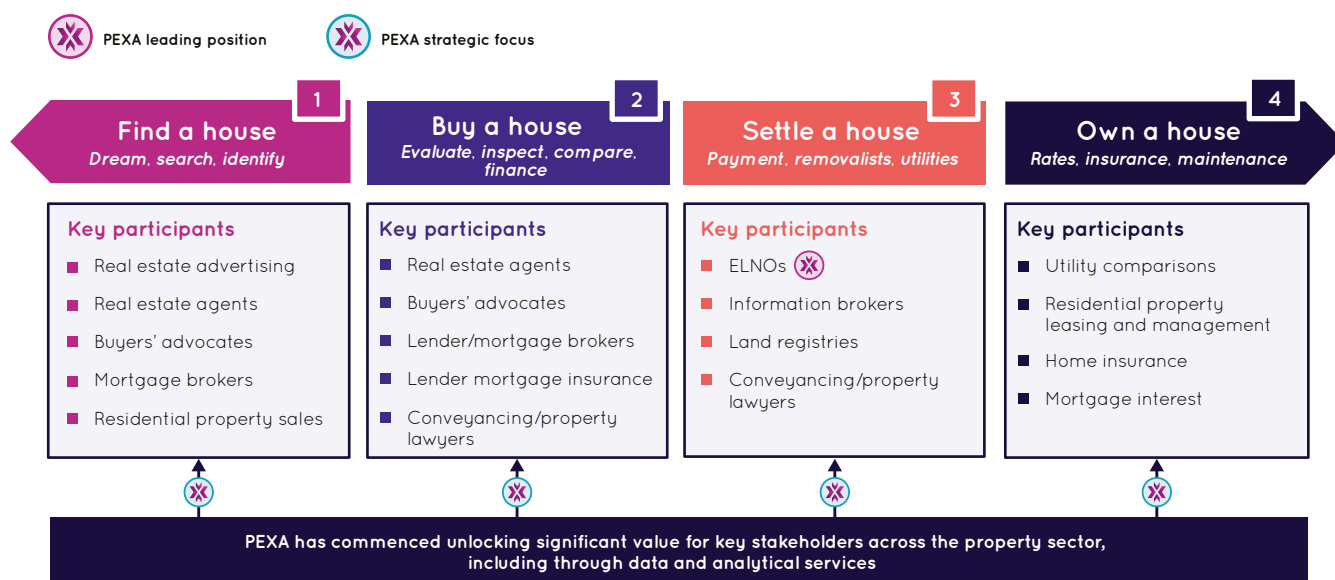
2 Industry Overview

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2.1. Introduction

Property is the largest asset class in Australia, playing an important role in the lives of almost all Australians. As an industry, property makes a substantial contribution to the Australian economy, representing a significant proportion of GDP¹ and is supported by long-term structural trends. Figure 1 provides an overview of the various stages of a typical property transaction and the key participants in each stage.

Figure 1: Typical stages of a property transaction



A key feature of the industry is the transfer of properties, with more than 400,000² properties changing hands each year. The main parties involved in these transactions are the property buyers and sellers, government bodies, conveyancers and legal firms (which PEXA collectively refers to as practitioner firms), financial institutions, real estate agents, brokers and developers. All of these parties intersect in the exchange and settlement process, reinforcing the need for an efficient, secure and reliable property exchange system.

PEXA, through the **PEXA Exchange**, operates primarily in the 'Settle a house' phase of a transaction by facilitating the electronic lodgement and settlement of property transactions through an integrated platform connecting key property market stakeholders. In this Prospectus, **PEXA** refers to PEXA Group Limited and its subsidiaries, including Property Exchange Australia Limited (**PEAL**) which is approved as an Electronic Lodgment Network Operator (**ELNO**).

PEXA commenced building its pioneering digital property settlements (e-conveyancing) platform in 2011 and is now the leading digital property settlements platform in Australia, enabling replacement of predominantly paper-based conveyancing processes with more secure, reliable and efficient digital settlements.

The uptake of digital property settlements over the past four years has been supported by State Government initiatives to mandate electronic conveyancing and phase out paper conveyancing in New South Wales, Victoria, Western Australia and South Australia. This uptake has accelerated through the COVID-19 pandemic as lockdowns and social distancing necessitated electronic transactions, with the availability of the PEXA Exchange helping to ensure the industry could successfully manage the disruption caused by the pandemic.

1. Total contribution to Gross Domestic Product (GDP) by all industries in Australia 2015-2016 as per Property Council of Australia, Economic Significance of the Property Industry to the Australian Economy.
2. Per Australian Bureau of Statistics Residential Property Price Indexes: Eight Capital Cities. December 2020.

To date, the PEXA Exchange has processed more than A\$1.3 trillion in settlement value, with each property settlement typically involving a number of transactions for which an ELNO can charge a fee. In March 2021, the PEXA Exchange processed more than 300,000 transactions, representing approximately 80% of total billable transactions in Australia³.

Having established itself as the trusted provider of digital property settlements in the Australian market, PEXA is exploring opportunities to apply its expertise, experience and proprietary technology to other aspects of the property market and to similar overseas markets that are still reliant on paper conveyancing.

PEXA is exploring these opportunities through three key strategic growth initiatives:

- PEXA International: which seeks to replicate the success of the PEXA Exchange in Australia to develop digital property settlement solutions for offshore markets, with a project underway under a local CEO to potentially commence a pilot of an initial re-mortgaging solution in England and Wales in 2022, and investigations continuing into other potential markets with Torrens land title systems;
- PEXA Insights: which seeks to appropriately harness near real-time, accurate and near comprehensive property data from the PEXA Exchange and other data sources to generate valuable data-driven insights for property market participants and other stakeholders to enable them to make better informed property and property-related decisions; and
- PX Ventures: which seeks to build on PEXA's digital and industry experience, innovative and entrepreneurial culture and established relationships to develop new business opportunities with partners for consumers, businesses and governments across the property sector.

This section of this Prospectus focuses primarily on the Australian digital property settlements market, in which the PEXA Exchange operates. For detailed commentary on PEXA's strategic growth initiatives – PEXA International, PEXA Insights and PX Ventures – see Sections 3.4 and 5.2.4.3.

2.2. Australian property market

There are more than 10.6 million dwellings in Australia, housing a population of 25.7 million people⁴. According to the ABS, 66% of Australian households owned their own home with or without a mortgage in 2017-2018⁵. Each year more than 400,000 properties are transferred, and more than 200,000 properties are refinanced, with each transfer and refinancing transaction resulting in multiple land registry dealings.

Real estate transactions are events which involve a change in an interest in property. These include transfers of ownership (sales transfers) or refinancing transactions. The key driver of property transactions in Australia is sales in the residential property market, with additional volume related to non-residential property transactions (which are a small component of the market), as well as other ownership transfers such as new stand-alone mortgages, mortgage discharges, inheritance and family law matters (see Section 2.3.3). The community need for housing and accommodation underpins long-term growth in property transactions, which is fundamentally linked to population growth, dwelling sizes and other factors over the long term. Refinancing transactions are also driven by investor activity and interest rates dynamics. The sections below outline various long-term and short-term drivers that impact property transactions.

2.2.1. Long-term drivers of property transactions

Property transfer and refinancing activity is driven primarily by growth in the total number of households. Household formation is determined by the interaction of population growth and average household occupancy. A decrease in average housing occupancy coupled with a rising population implies that the growth in the number of households is expected to outpace population growth over time, which is evident in Australia:

3. Market share based on BIS Oxford estimate of market and PEXA transactions.

4. Per Australian Bureau of Statistics Residential Property Price Indexes: Eight Capital Cities. December 2020 and ABS population estimates.

5. Per Australian Bureau of Statistics survey of Income and Housing 2017-18.

- Australia has experienced population growth over the past 20 years underpinned by net inward migration flows, at a population CAGR of 1.5% from June 2000 to June 2020; and
- the average number of persons occupying a household has decreased from 2.76 in the period 2000-2004 to 2.72 in the period from 2015-2019⁶.

The NSW Government has argued that high rates of stamp duty are a deterrent to mobility for homeowners and is considering a voluntary reform to allow home buyers to avoid stamp duty on purchase and instead pay land tax over time. The objectives of the proposed policy, if realised, may increase property transactions over time.

2.2.2. Short to medium-term drivers of property transactions

There are several key factors that can impact property transfers and refinancings in the near term.

- **Australian interest rates:** Interest rates are expected to impact dwelling activity by influencing the size of the mortgage that can be serviced by a given income. Low interest rates have been a considerable driver of an increase in new housing finance commitments and the number of refinancings. The Reserve Bank of Australia board has indicated it will not increase the cash rate until actual inflation is sustainably within the 2-3% target range, which the Reserve Bank of Australia has stated it does not expect until 2024 at the earliest.
- **COVID-19 pandemic:** The pandemic created a downturn in economic activity driven largely by social distancing and lockdown measures. There was a marked deterioration in auction and new listing activity during the national and Melbourne lockdown phases, however market trends have improved significantly following the short-term downturn in April and May 2020. There has been a continued improvement from October 2020 to March 2021, and the outlook for the remainder of 2021 remains positive. There is recent uncertainty in Victoria as it has entered a lockdown from 27 May 2021 to 10 June 2021 due to a number of new COVID-19 cases. If this lockdown is extended, or if lockdowns emerge in other States or major cities, auction and new listing activity may be adversely impacted, which could result in lower than expected property transaction volumes for the relevant period.
- **National and State government stimulus packages:** There are a number of direct and indirect packages that support the property sector. Some key examples are in Figure 2 listed below:

Figure 2: Examples of government stimulus

Recipients	National examples	State examples – New South Wales
General	• HomeBuilder scheme • Capital gains tax discount	• Proposed stamp duty reform to phase out stamp duty for residential property and replace it with an annual land tax⁷
First home buyers	• First Home Loan Deposit Scheme • Family Home Guarantee	• First Home Buyers Assistance Scheme • First Home Owner Grant
Social housing	• ~\$5.5 billion in Commonwealth Rent Assistance • \$1.6 billion through the National Housing and Homelessness Agreement	• Total social housing budget for 2020-21 ~\$4.4 billion • 580 new social homes built • 3,500 dwelling upgrades • \$80 million to support 300 new housing sector apprenticeships/cadetships

6. Based on Australian census data.

7. CoreLogic media release: The state of stamp duty for Australian housing (December 2020).

Other drivers of residential transaction activity and new dwelling demand in the short term include unemployment rates, household economic conditions, international and urban migration, building costs, affordability, property prices, investor sentiment, macroprudential policies and regulation, access to finance, credit availability, leverage ratios, trends in consumer style and taste, the exchange rate and perceptions of risk.

2.3. Conveyancing market

In Australia, conveyancing, the key component of digital property settlements, operates under the Torrens Title system of title by registration, whereby each Australian State and Territory operates, either directly or through a private operator, a land titles register that records and registers title to, and interests in, land (**Register**). Under the Torrens Title system, legal title to land is obtained upon lodgement of relevant dealings (title transfers, new mortgages, refinances, discharges and caveats) on the Register of the relevant State or Territory, and that creates an indefeasible claim to title.

2.3.1. Conveyancing process

Conveyancing comprises the steps involved to effect a change in a registered interest of a property. Conveyancing transactions are generally managed by practitioner firms who provide specialist advisory services to those selling or buying a property or engaging in other property-related transactions. A typical transfer transaction involves the following:

- Pre-contract period: decision making on whether to conduct the transfer;
- Contract: prepare, exchange and review the contract which governs the transaction;
- Settlement: money and the relevant interest in land is exchanged;
- Lodgement: relevant documents are lodged with Land Titles Offices; and
- Post-lodgement: notification of the completion of a transaction.

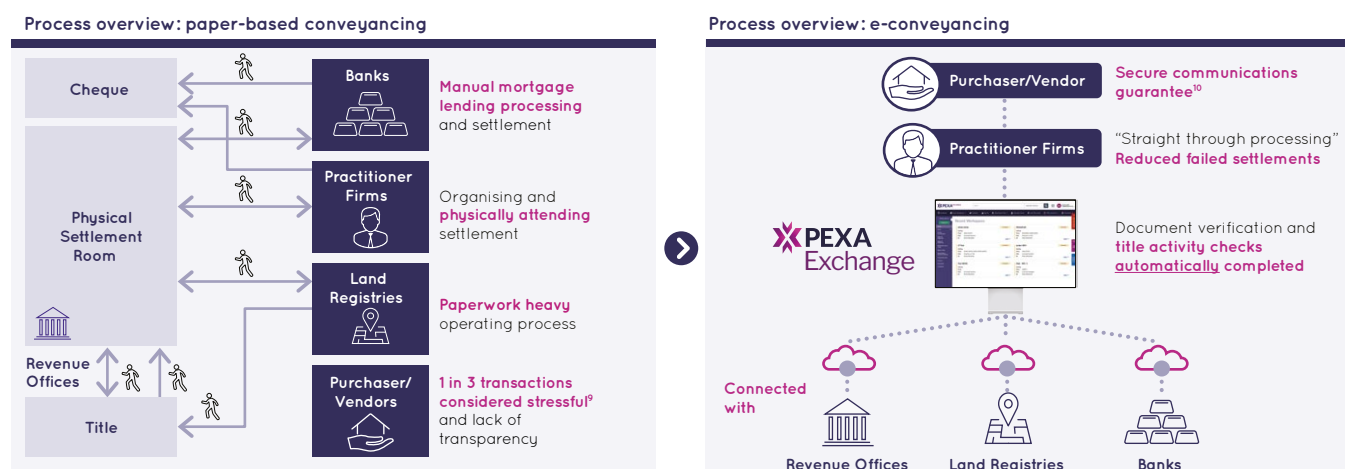
Historically, conveyancing has been a paper-based process and settlement could only be achieved when all documentation was physically exchanged, and funds received by all parties. In a paper-based process, physical lodgement of the paper dealings with Land Titles Offices occurred after the physical settlement. This process was inefficient, time consuming and prone to errors from time to time.

Although some States had taken some steps to introduce electronic conveyancing, before PEXA was established there was no national solution for electronic settlement of conveyancing transactions. The introduction of electronic conveyancing was designed to substantially reduce costs associated with transfer of title via simplification of processes, reduced delays, increasing accuracy and the elimination of costs and complexities of dealing with eight different systems. As a result, in 2008, electronic conveyancing was added to the Council of Australian Governments' agenda of deregulation priorities, with the aim to build a national system to electronically lodge and settle property transactions.

2.3.2. Electronic conveyancing

Electronic conveyancing (or **e-conveyancing**) allows users to execute the lodgement and settlement stages of the conveyancing process electronically (which is described as **digital property settlements** in this Prospectus). This facilitates a more efficient and transparent settlement and lodgement process and reduces the errors and settlement risks associated with the traditional paper-based conveyancing process. Applying expected billable transactions for digital property settlement for CY21 to PEXA Exchange's current pricing schedule (set out in Section 3.3.3), PEXA estimates that the total potential addressable market of digital property settlements in Australia is approximately \$280 million⁸.

8. Based on PEXA pricing schedule and estimated transaction volume for CY21 from BIS Oxford.

Figure 3: Process overview: paper-based versus e-conveyancing^{9,10}

The net economic benefit of e-conveyancing in FY20 across New South Wales, Victoria, Queensland, Western Australia and South Australia was estimated to be approximately \$240 million¹¹. A summary of the benefits of digital property settlements for participants in a sales transfer transaction is provided in Figure 4.

Figure 4: Benefits of using digital property settlement for participants in a sales transfer transaction

Stakeholder	Benefits of e-conveyancing
Property buyers	- Greater security and comfort by facilitating document checks and title activity earlier in the settlement process - Faster and more efficient process for securing title
Property sellers	- Fewer manual processes, reducing the risk of a delayed settlement and increasing security - Fast access to funds: no need to wait for cheques to be processed, with proceeds of sale processed as electronically cleared funds - Ease of use: signing of paper dealings no longer required
Practitioner firms	- Visibility of documents earlier in the process to reduce errors and delays - Efficient: less time preparing documents, no need to attend settlement, or arrange a third party to, and secure electronic funds disbursement which eliminates the need for organising and depositing bank cheques - Professional fees may be received as electronically cleared funds allowing for quicker access to funds

9. Economic Impact of E-conveyancing, PwC (2015).

10. PEXA Key Secure Communication Guarantee: provides protection to buyers and sellers when the bank account details communicated through PEXA Key are not the same as the bank account details entered by either the seller or buyer's practitioner.

11. As per estimate in The Net Economic Value of e-Conveyancing in FY 2020 Across Australian Mainland States, prepared for PEXA by Serdar Avsar and David Horton (2020).

Stakeholder	Benefits of e-conveyancing
Financial institutions	• Visibility of documents earlier in the process to reduce errors and delays • Reduced time between settlement and lodgement of security interest • Automation and efficiency gains for mortgage operations as digital scale is achieved • Qualifying criteria for banks and practitioners to transact involves a greater level of security as well as the secure transfer of information being a requirement for lodgement and payment
Land Titles Offices	• Time and cost savings derived from automatic validation, reduced error rates, examination and processing of dealings • Digitised an industry that has greatly assisted the State governments to privatise land registries
Real estate agents	• Potential for greater transparency around the settlement process
State Revenue Offices	• Supports electronic real-time payment of stamp duty to State Revenue Offices

2.3.3. Addressable digital property settlements market in Australia

The size of the addressable market for digital property settlements in Australia is predominantly a function of:

- the number and type of lodgements in each State and Territory; and
- whether the dealing is of a type which can be processed electronically. While most dealing types by volume can be processed electronically, there continue to be a limited number of complex or unconventional dealings that cannot.

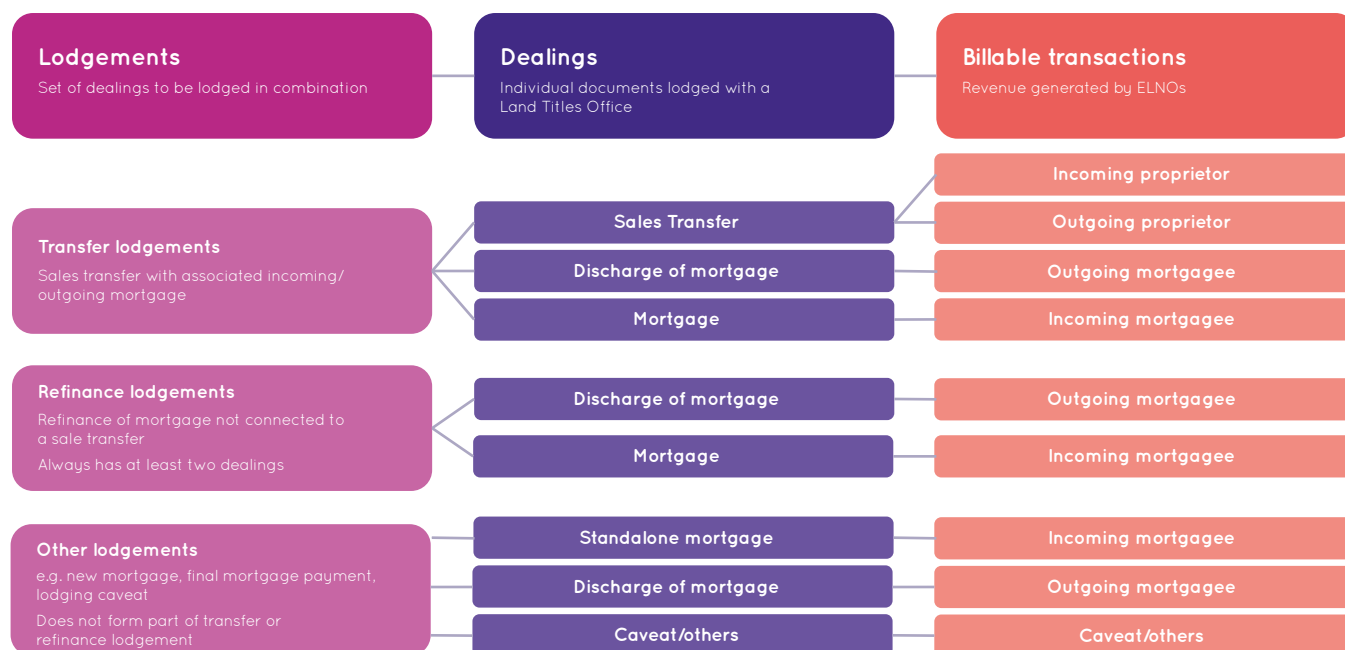
The number of those dealings that can be processed electronically determines the number of transactions for which an ELNO can charge a fee (**billable transactions**). The total number of all billable transactions is the addressable market for digital property settlements.

Lodgements are classified by reference to the underlying purpose of the transaction. Dealings are lodged with a Land Titles Office and grouped into lodgement types. A lodgement can lead to multiple dealings (and searches of the Register). There are three types of lodgements described in a transaction:

- Transfer lodgements: comprise dealings connected to the transfer of a property title or sales transfer, and any associated discharges and mortgages in conjunction with the property transfer and other ownership transfers such as inheritance and family law matters.
- Refinancing lodgements: comprise dealings connected to the refinance of a debt facility secured by a mortgage, but which are not connected to a sales transfer and involve a discharge of an existing mortgage replaced by a new mortgage.
- Other lodgements: other dealings lodged, either alone or together, but which are not connected to a transfer lodgement or a refinance lodgement such as a stand-alone discharge of mortgage lodged after a loan has been wholly repaid, a stand-alone mortgage lodged after a new loan is advanced, caveat-related dealings, death-related dealings, and lease-related dealings.

Figure 5 illustrates the relationship between lodgements, dealings and billable transactions, with an example of each of the three primary types of lodgements and how they translate into dealings and billable transactions.

Figure 5: Relationship between lodgements, dealings and billable transactions

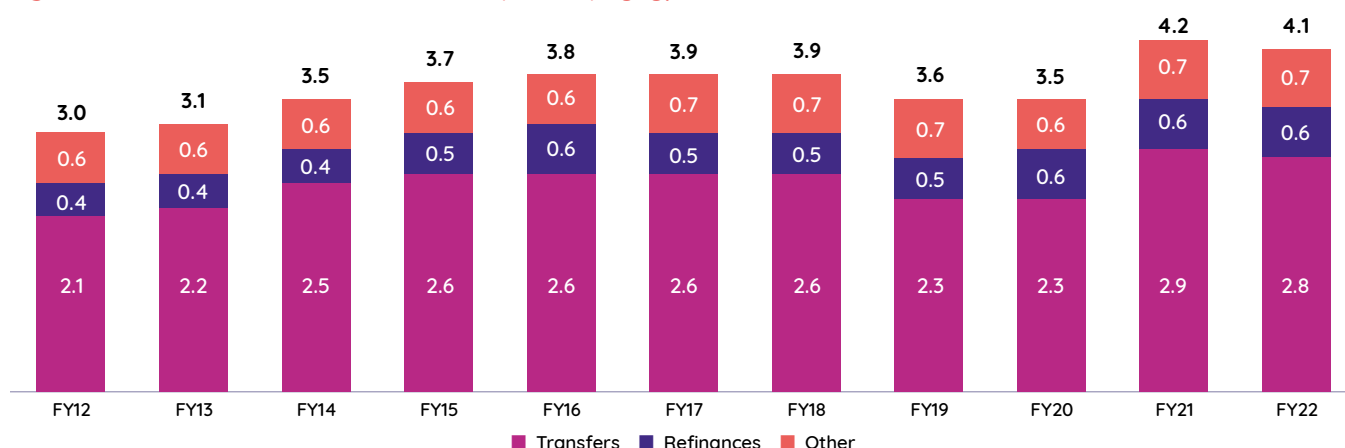


2.3.3.1 Digital property settlement billable transactions for ELNOs

Dealings are classified into lodgement types by reference to the purpose of the dealing (or group of dealings).

A lodgement comprising dealings that can be processed electronically and therefore result in fees payable to ELNOs is referred to as a billable transaction. PEXA estimates that in March 2021, approximately 80% of billable transactions of the total potential addressable market were processed through the PEXA Exchange. Figure 6 outlines the number of billable transactions each year by type.

Figure 6: Billable transactions in Australia (millions) by type¹²

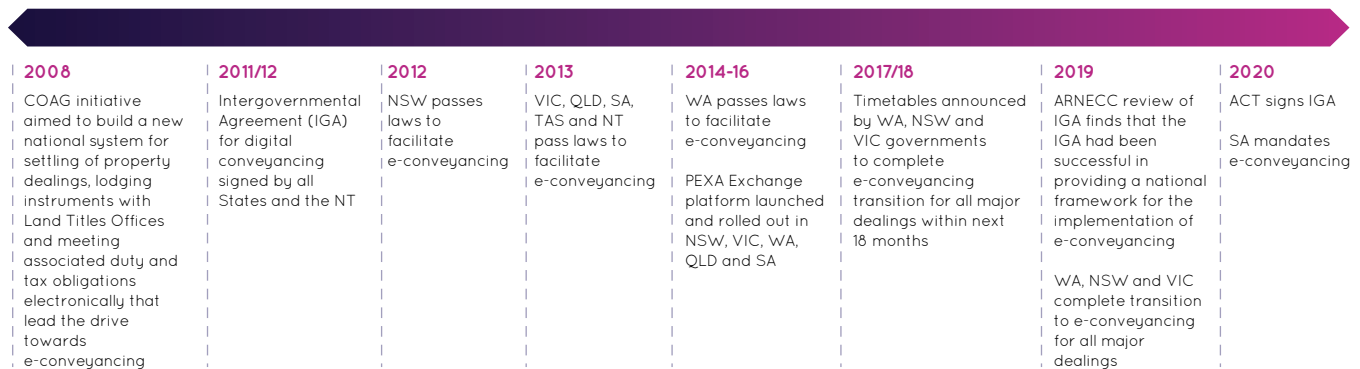


12. FY12-FY16 are based on PEXA management estimates. FY17-FY20 are BIS Oxford estimates. The forecast for FY21 is based on BIS Oxford estimated market volumes for July 2020 to March 2021 and PEXA management estimates for April, May and June 2021. FY22 is a BIS Oxford forecast. BIS Oxford projection for volumes in FY22 is contingent on its projections for FY21, which may differ from the management estimates for April, May and June FY21. See also Section 4.8.2.1 of this Prospectus for further information on the use of BIS Oxford estimates and revenue forecast assumptions.

2.3.4. Evolution of digital property settlements in Australia

In collaboration with government and industry bodies, PEXA has pioneered the development of the network required to support Australia's transition to digital property settlements. In 2008, e-conveyancing was added to the Council of Australian Governments' agenda of deregulation priorities, with the aim to build a national system to electronically lodge and settle property transactions. This led to an industry-wide collaboration on the digitisation of national property lodgement and settlement processes, the establishment of a comprehensive regulatory and legal framework and the re-engineering of legacy operations and processes of key market participants in order to enable the transition to digital property settlements. An overview of key milestones associated with the creation of digital property settlements in Australia is below in Figure 7.

Figure 7: Timeline of Australia's transition to digital property settlements



As at 31 March 2021, the PEXA Exchange has backend integrations with the Land Titles Offices and State Revenue Offices in the five largest jurisdictions in Australia (New South Wales, Victoria, Western Australia, Queensland and South Australia). Together these jurisdictions are estimated to account for 95% of potential billable transactions in Australia¹³. The PEXA Exchange is prepared to go live in the Australian Capital Territory in 2021, having completed the required backend integration with the ACT Land Titles Office, and based on jurisdictionally specific industry process requirements there is no need to develop an integration with the State Revenue Office to enable stamp duty processing in the ACT.

The decision of a number of governments to mandate the transition to digital lodgement of property documents has supported the rapid uptake of digital property settlements in Australia. As at 31 March 2021, mandated States of New South Wales, Victoria, Western Australia and South Australia are estimated to make up more than 72% of national transactions. The lower penetration for Western Australia reflects limitations in the ability of the Western Australia Revenue Office to digitally process transactions requiring complex revenue office assessments for stamp duty, although there are plans to address this.

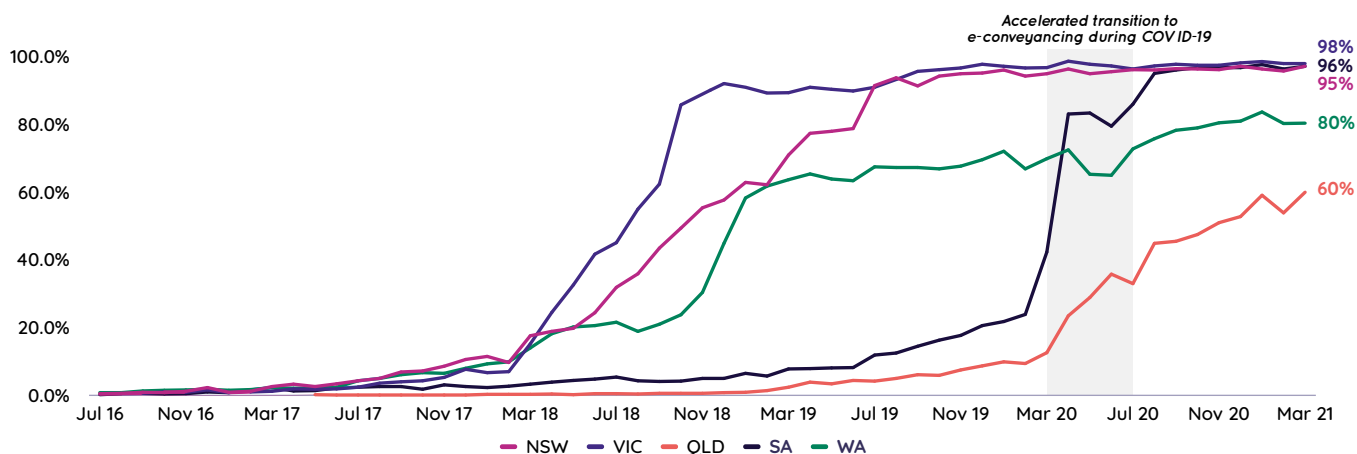
A summary of each jurisdiction is provided in Figure 8.

13. Based on the BIS Market Report.

Figure 8: Transition to digital property settlements by jurisdiction

Jurisdiction	Status of e-conveyancing	Potential billable transactions (% of national total) CY20 ¹
New South Wales	Mandate in force for all eligible dealings since July 2019 ²	28%
Victoria	Mandate in force for all eligible dealings since August 2019 ³	27%
Western Australia	Mandate in force for all eligible dealings since December 2018 ⁴	11%
South Australia	Mandate in force for all eligible dealings since August 2020 ⁵	7%
Queensland	At present Queensland does not have an e-conveyancing mandate	23%
Australian Capital Territory	Australian Capital Territory is expected to launch e-conveyancing in 2021	2%
Tasmania/ Northern Territory	No current timetables to introduce e-conveyancing, however PEXA maintains contact with these jurisdictions to assist with implementation options and planning	3%
Total		100%

1. Based on the BIS Market Report. Subject to rounding adjustments.
2. All mainstream dealings, whether stand-alone or in combination as well as mandated residual dealings.
3. All available dealings including residual dealings.
4. Any lodgement case consisting of eligible discharges, transfers, mortgages, caveats and withdrawal of caveats.
5. All available dealings.

Figure 9: Market uptake by jurisdiction (percentage of transfers lodged via PEXA Exchange)¹⁴

14. Calculated based on BIS Oxford market size data and PEXA Exchange transaction volumes.

2.4. Establishing an ELNO

The Australian Registrars' National Electronic Conveyancing Council (**ARNECC**) is the primary e-conveyancing regulatory body established to facilitate the implementation and ongoing management of the regulatory framework for electronic conveyancing in Australia. ARNECC advises and coordinates State and Territory-based regulation of electronic conveyancing. ARNECC membership comprises the Land Titles Offices (or their nominees) from each Australian State and Territory. ARNECC is further discussed in Section 2.6.2.

E-conveyancing providers must be approved to operate as an ELNO in order to provide electronic conveyancing services to financial institutions and practitioner firms. There is a significant lead time associated with planning and delivering the required level of backend integration to provide services to onboarded Exchange participants such as financial institutions, Land Titles Offices and State Revenue Offices.

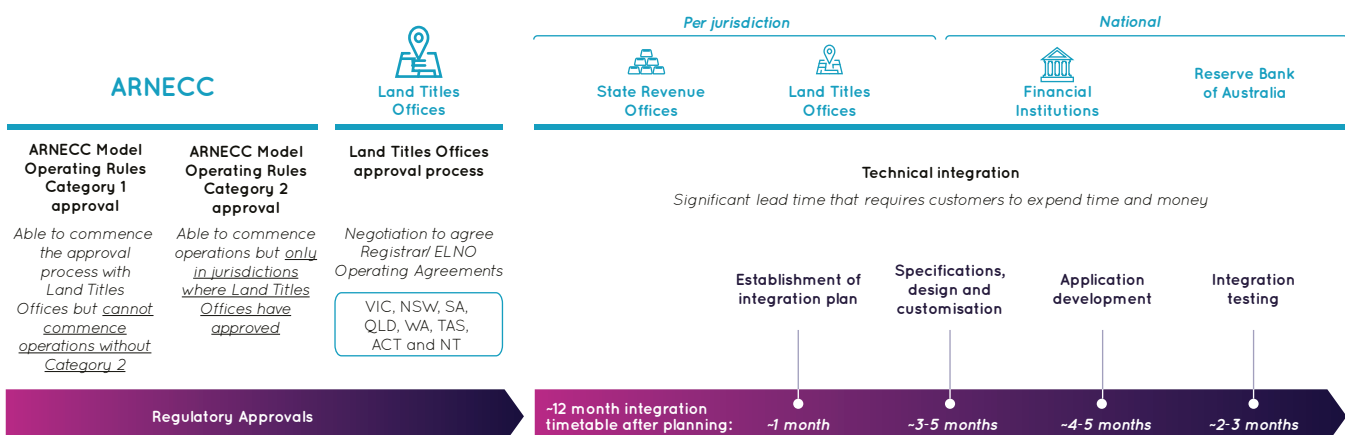
There are extensive requirements that must be met to establish and operate as an ELNO.

- **ELNO assessment from ARNECC:** First, new entrants must be assessed by ARNECC as meeting the eligibility criteria requirements of the Model Operating Requirements. Following this assessment, ARNECC will coordinate the review of the application with each Registrar in the relevant jurisdiction for approval to operate as an ELNO. Sympli and Purcell Partners have completed this step (see Section 2.6.4).
- **Granting of approval to operate as an ELNO by each State and Territory Registrar:** Second, the applicant must then make the application to each Registrar in the relevant jurisdiction and obtain approval from each Registrar to operate an Electronic Lodgment Network in that jurisdiction. ELNOs can begin to engage with Land Titles Offices to seek approval to operate in relevant jurisdictions with Category 1 approval (but still require Category 2 approval to commence operations). Purcell Partners has not completed this step in any jurisdiction, while Sympli has completed this step in some jurisdictions.
- **Ongoing compliance requirements:** Third, the applicant must demonstrate continued compliance with the Model Operating Requirements.

Currently ARNECC is working with industry participants to develop an approach to facilitate interoperability between ELNOs as part of a review of the market structure (see Section 2.6).

To become an operational and functional ELNO, an applicant will need to integrate with the Land Titles Office and in some cases the State Revenue Office of each jurisdiction in which they intend to operate. PEXA Exchange's backend integration with the Reserve Bank of Australia provides the ability to reserve and direct funds between financial institutions to complete financial settlement. The PEXA Exchange has also made backend integrations with financial institutions to enable exchange of source and destination payment instructions.

Figure 10: Indicative steps to establishing ELNO operations



2.5. Competitive landscape

2.5.1. Overview

The PEXA Exchange currently competes primarily against paper-based conveyancing, however emerging competitors include two other ELNOs. One of these ELNOs has been granted approval to operate and another is seeking approval from ARNECC. In the future, PEXA may also potentially compete against other new ELNOs, as well as new and existing service providers across the broader property market for the adjacent products and services that PEXA plans to provide through PEXA Insights and PX Ventures. In addition, PEXA may compete with other service providers as it seeks to expand into offshore markets with PEXA International.

2.5.2. Key ELNO competitors

One other ELNO has been granted approval to operate and another is seeking approval from ARNECC:

- Sympli was formed as a result of collaboration between Australian Technology Innovators and ASX. Sympli was incorporated in 2018 and received ARNECC Category 2¹⁵ approval to act as an ELNO by ARNECC in November 2018. It was announced in December 2019 that Sympli had completed its first financial settlement¹⁶.
- Purcell Partners (which operates LEXTECH) – LEXTECH is a web-based software platform that facilitates digital mortgage settlements. LEXTECH is operated by Purcell Partners (a PEXA Exchange Subscriber firm representing certain financial institutions). Category 1 approval was granted to Purcell Partners by ARNECC in May 2018¹⁷.

PEXA is not aware of any direct competitors to the PEXA Exchange in international markets that have platforms with proven abilities to perform both the lodgement and settlement required for digital property settlements.

2.6. Regulation

2.6.1. The Torrens Title System in Australia

2.6.1.1 Registration of Titles

The process for lodging dealings is driven by the Torrens Title system of title by registration. Each State and Territory in Australia operates, either directly or through a private operator, a land register to record and register title to, and interests in, land.

Under the Torrens Title system, legal title to land is obtained upon registration of dealings on the Register of the relevant State or Territory and creates an indefeasible claim to title. Having been established in South Australia in 1858, variations of the Torrens-based system have been adopted in various other jurisdictions including England and Wales, New Zealand, Ireland, Canada, Malaysia, Singapore and India. For further discussion regarding the Registration of Titles in Australia, see Section 10.

2.6.1.2 Land Titles Offices

Each Land Titles Office maintains, either directly or through a private operator, a Register which records the dealings that are registered under the relevant property legislation in that jurisdiction. The Register upholds the indefeasibility of title. Registration involves the execution and lodgement of documents in a form that is prescribed under the legislation or approved by the relevant Registrar. In Australia, some of the Land Titles Offices have been privatised and are privately operated, while still being subject to Registrar oversight as described below. For further discussion regarding the Land Titles Offices, see Section 10.

15. Category 2 is explained further in Section 10.

16. Lawyersweekly article (12 December 2019).

17. Category 1 is explained further in Section 10.

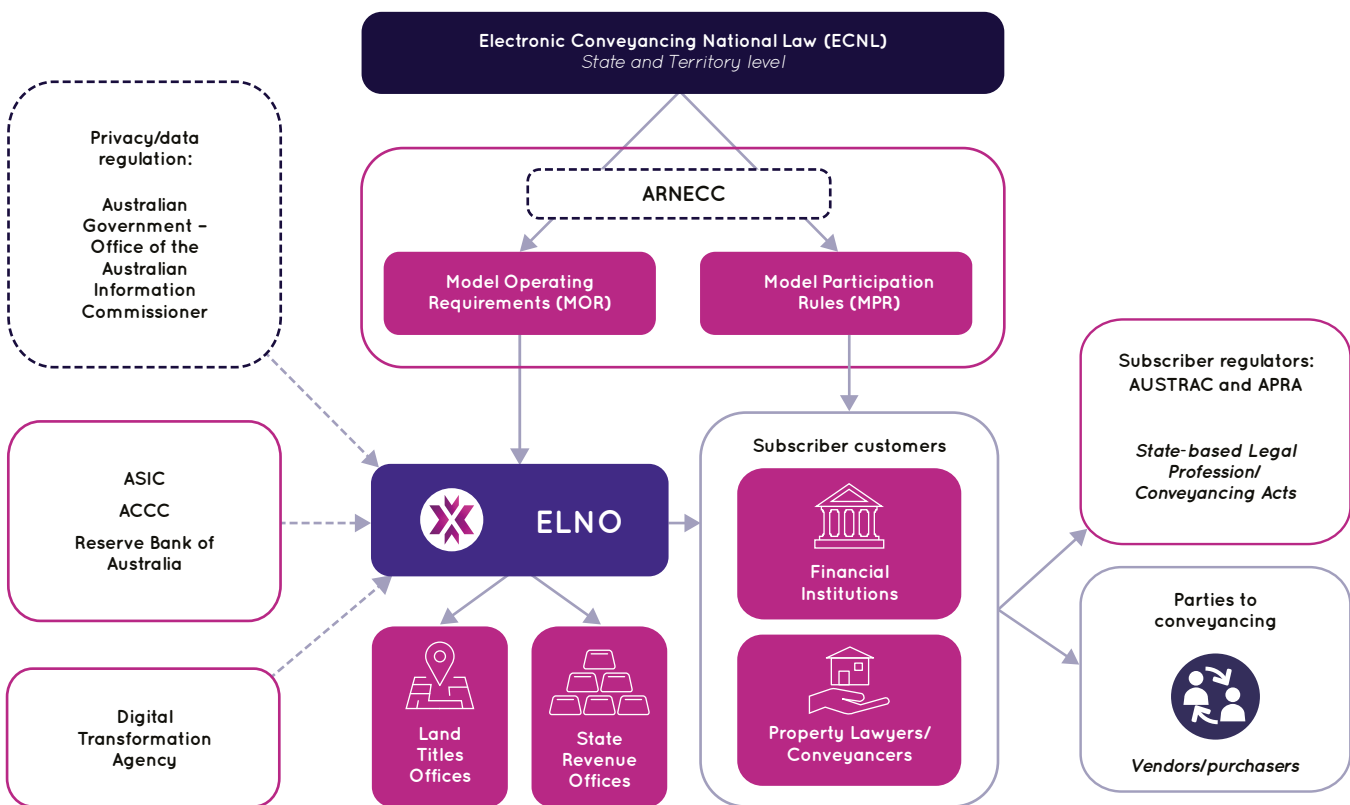
2.6.1.3 Registrar oversight

Each State or Territory's Land Titles Office, which is administered by the relevant Registrar, is the body responsible for maintaining the Torrens Title system in that jurisdiction. The Registrar in each State and Territory is an appointed public service official with delegated power. An important function of each Registrar is to monitor and enforce the registration process regarding property transactions, which includes maintaining the legislative and policy framework for land title registration, conveyancing and property development, setting the operating requirements and participation rules and driving reforms in land titling, such as e-conveyancing. For further discussion regarding the Registrars, see Section 10.

2.6.2. Regulatory framework supporting electronic conveyancing

The regulatory environment supporting electronic conveyancing is complex and is subject to a number of regulations, as indicated by Figure 11. A detailed discussion of the regulatory framework that supports electronic conveyancing is set out in Section 10.

Figure 11: Overview of key regulators and regulations involved in the electronic conveyancing market^{18, 19, 20}



The Australian Registrars' National Electronic Conveyancing Council or ARNECC is the body that oversees the implementation and ongoing management of the national regulatory framework for electronic conveyancing. ARNECC is an advisory and co-ordination committee that advises the States and Territories on proposed changes to the Electronic Conveyancing National Law and matters relating to electronic conveyancing, administering the entry of new ELNOs and developing the Model Operating Requirements for ELNOs and the Model Participation Rules that apply for subscribers. For further detail see Section 10.

18. PEAL has relief from the requirement to hold an Australian Finance Services Licence (with financial settlements regulated by ASIC).

19. States and Territories have their own general privacy laws that also apply and ARNECC and its subscriber governments play a regulatory role in relation to land information that they hold or receive from PEAL.

20. The Digital Transformation Agency is the Commonwealth agency that oversees the gatekeeper digital certificate framework for e-conveyancing. The Digital Transformation Agency is also an observer to e-conveyancing more broadly, including in relation to the continued roll out of e-conveyancing and interoperability.

Under this framework, PEXA's subsidiary Property Exchange Australia Ltd (**PEAL**) is approved as an ELNO and operates the PEXA Exchange platform.

PEXA has been actively involved with ARNECC, the Registrars, Governments and industry participants in shaping this regulatory framework, which was initially designed to support and regulate a single provider of ELNO services, being the PEXA Exchange. Following the transition from public to private ownership, and in the context of a multi-ELNO environment, PEXA is continuing to work with all stakeholders to develop a competitive market structure and regulatory framework. ARNECC has foreshadowed some changes to the Electronic Conveyancing National Law, Model Operating Requirements and Model Participation Rules, including in relation to interoperability between ELNOs and changes to regulators' enforcement powers, enabling them to issue notices, seek enforceable undertakings or apply 'on the spot' fines in order to ensure compliance. See Section 5.2.1 for the risks related to regulatory change.

The Electronic Conveyancing National Law

The Electronic Conveyancing National Law (**ECNL**) is the model national legislation that governs the operation and regulation of electronic conveyancing. This empowers the Registrar in each State or Territory to:

- operate or approve the operation of an electronic lodgment network;
- set operating requirements for ELNOs, by reference to the Model Operating Requirements; and
- establish participation rules for subscribers of an electronic lodgment network, by reference to the Model Participation Rules.

As the ECNL currently lacks the range of enforcement powers found in many other regulatory regimes, ARNECC has advised that it intends to amend the ECNL to introduce new powers that may be applied by Registrars to ELNOs through the Model Operating Requirements and Subscribers through the Model Participation Rules. The new powers will enable the Registrars to accept enforceable undertakings, issue civil penalties and infringement notices, and provide for enhanced investigative and cooperative powers. ARNECC has also advised it intends to extend the current powers of a Registrar to give binding directions and publish information about ELNO and Subscriber non-compliance, binding directions, investigations and civil proceedings.

With respect to interoperability, ARNECC has advised that interoperability will be facilitated through amendments to the ECNL, which will entail introducing a definition of interoperability, a requirement to interoperate, and the potential enhancement of heads of power under the Model Operating Requirements to allow Registrars to set specific requirements for interoperability, including with regard to interoperability agreements (between ELNOs), dispute resolution and pricing principles for fees payable by the Participating ELNO(s) to the Responsible ELNO. ARNECC has also indicated it intends to amend the ECNL to extend the existing client authorisation and reliance regime to cover interoperable transactions and financial settlement.

These changes to the ECNL were proposed on an in-principle basis in the absence of substantial detail pursuant to recent position papers published by ARNECC in April and May 2021, and remain subject to further and ongoing consultation with PEXA and industry stakeholders.

Model Operating Requirements

The Model Operating Requirements are a set of model requirements developed by ARNECC. The current Model Operating Requirements are version six, published in February 2021. The Model Operating Requirements are taken into account by each of the Registrars in New South Wales, Victoria, Queensland, South Australia, Western Australia and the ACT when setting the Operating Requirements for their respective State, and these Registrars have typically implemented the Model Operating Requirements. The Operating Requirements in each jurisdiction are applicable to each ELNO that has received approval to operate an electronic lodgment network and address a range of matters, including ELNO eligibility criteria, availability, minimum performance and reporting requirements, requirements for lodgement capability, security and integrity obligations, use and storage of land information requirements, non-discrimination obligations, a CPI pricing cap regime, structural and operational separation obligations and provisions relating to Registrars' powers.

The Model Operating Requirements require ELNO fees to be determined according to a publicly available, equitable and transparent pricing policy. For further detail see Sections 3.3.3 and 10.

Model Participation Rules

The Model Participation Rules are a set of model rules for subscribers developed by ARNECC. The current Model Participation Rules are version six, published in February 2021. The Model Participation Rules are taken into account by each of the Registrars in New South Wales, Victoria, Queensland, South Australia, Western Australia and the ACT when setting the Participation Rules for their respective States, and these Registrars have typically implemented the Model Participation Rules. The Model Participation Rules address a range of specified matters, including the eligibility criteria and obligations of subscribers (including compliance), client authorisations, digital signing and the retention of documents. For further detail see Section 10.

Approval of ELNOs and Operating Agreements

Under the Electronic Conveyancing National Law, each Registrar is entitled to operate an electronic lodgment network in its State or Territory and also to approve any other person (subject to satisfying the qualifications in the Operating Requirements) to operate such an electronic lodgment network.

PEAL has entered into an operating agreement with each of the Registrars in New South Wales, Victoria, Queensland, South Australia and Western Australia. In 2019, the New South Wales Registrar reissued PEAL's approval to operate an electronic lodgment network subject to conditions, which replaced the preceding operating agreement between the Registrar in New South Wales and PEAL. PEAL's operating conditions with the New South Wales Registrar include a 'CPI-X' price cap regime that limits PEAL's ability to increase prices for e-conveyancing service fees to CPI less 'X', whereby the X factor is set by the Registrar annually. For further detail on pricing see Sections 3.3.3 and 10.

Privacy laws

PEXA is required to comply with the *Privacy Act 1988* (Cth)²¹, which regulates how personal information is handled. Data held by PEXA includes personal information, and PEXA needs to ensure there is no unauthorised access, disclosure or loss of personal information held by PEXA. For further information, see Section 10.

Competition and consumer laws

PEXA is required to comply with competition and consumer protections under the *Competition and Consumer Act 2010* (Cth). For further information, see Section 10.9.5.

Financial settlement and payment regulation

There is not a defined regulatory regime that governs the financial payment and settlement components of electronic conveyancing. The Reserve Bank of Australia oversees PEAL's financial settlement process associated with electronic conveyancing and the Australian Securities and Investments Commission (**ASIC**) is the regulator for payment systems and consumer protection. The Electronic Conveyancing National Law is silent as to the regulation of financial settlement and payment processes in electronic conveyancing, and no regulator currently oversees the end-to-end delivery versus payment system. A review is currently being undertaken by a working group comprising members of the Council of Financial Regulators, the Australian Competition and Consumer Commission (**ACCC**) and the Registrars, which is considering a number of options to address this regulatory gap, including the possibility of an industry developed standard dealing with the payment and financial settlement aspects of electronic conveyancing. For further information, see Sections 5.2.1 and 10.10.2.9.

21. PEAL has additional obligations to comply with equivalent State and Territory privacy laws.

2.6.3. The National Electronic Conveyancing Data Standard (NECDS) and other interface specifications

The NECDS is the data standard for the interface between the electronic lodgment network and Land Titles Office. PEAL was a key stakeholder, and invested significantly in the development of the NECDS.

Following Sympli receiving its approval to operate as an ELNO, the New South Wales Registrar requested that the NECDS be made available for all ELNOs to interface with the Land Titles Offices on an equivalent basis. PEAL has supported this move, in exchange for compensation for the intellectual property rights in the NECDS and the establishment of a regulatory regime for the proper future management of the NECDS. PEAL and ARNECC are currently developing this regulatory regime, which is yet to be implemented.

PEAL has also developed document specifications for interfaces with the State Revenue Offices and financial institutions. PEAL is also working with ARNECC and Sympli to develop a data standard to facilitate interoperability. For further discussion regarding the NECDS and other interface specifications, see Sections 2.6.4 and 10.

2.6.4. Interoperability and market structure

Interoperability refers to different ELNOs' systems being able to communicate with each other to complete a property transaction. At present, there is currently no interoperability between ELNOs in the Australian conveyancing market; consequently, under the existing market structure, all parties to an electronic conveyancing transaction must use the same ELNO. Although Sympli gained the required approvals to operate in 2018, at present only the PEXA Exchange has the capabilities to host significant volumes of transactions. Interoperability has in-principle support from governments and key industry stakeholders (being PEAL, Sympli, and relevant national industry peak bodies) to improve competition between ELNOs. For multi-party transactions, such as transfers and refinance transactions, interoperability would allow practitioners to use the ELNO of their choosing to complete a property transaction. Interoperability will enable an ELNO with an only partially developed capability to perform some roles in transactions.

2.6.4.1 Development of the interoperability model

There has been significant engagement between industry and Governments over several years to develop a national interoperability model. ARNECC is working to orchestrate a multi-year staged roll out of interoperability across all transaction types and jurisdictions. In May 2021, ARNECC advised that it is considering a proposal that the first transaction would be a refinance involving two financial institutions, the Queensland land titles office and two ELNOs. It also advised that it will work with industry to develop a detailed implementation plan for this first transaction by the end of 2021²². PEXA, working with ARNECC, Sympli and other key industry stakeholders, including peak industry bodies, financial institutions, Registrars and State Revenue Offices, has been actively involved in the development of the national interoperability model.

The proposed model of interoperability will be supported by a layered regulatory regime comprising changes to the Electronic National Conveyancing Law, the Model Operating Requirements and Model Participation Rules, and a new commercial agreement between ELNOs known as an Interoperability Agreement (which will incorporate and be consistent with regulatory and legislative changes required to implement interoperability).

22. Refer to www.arnecc.gov.au for further details.

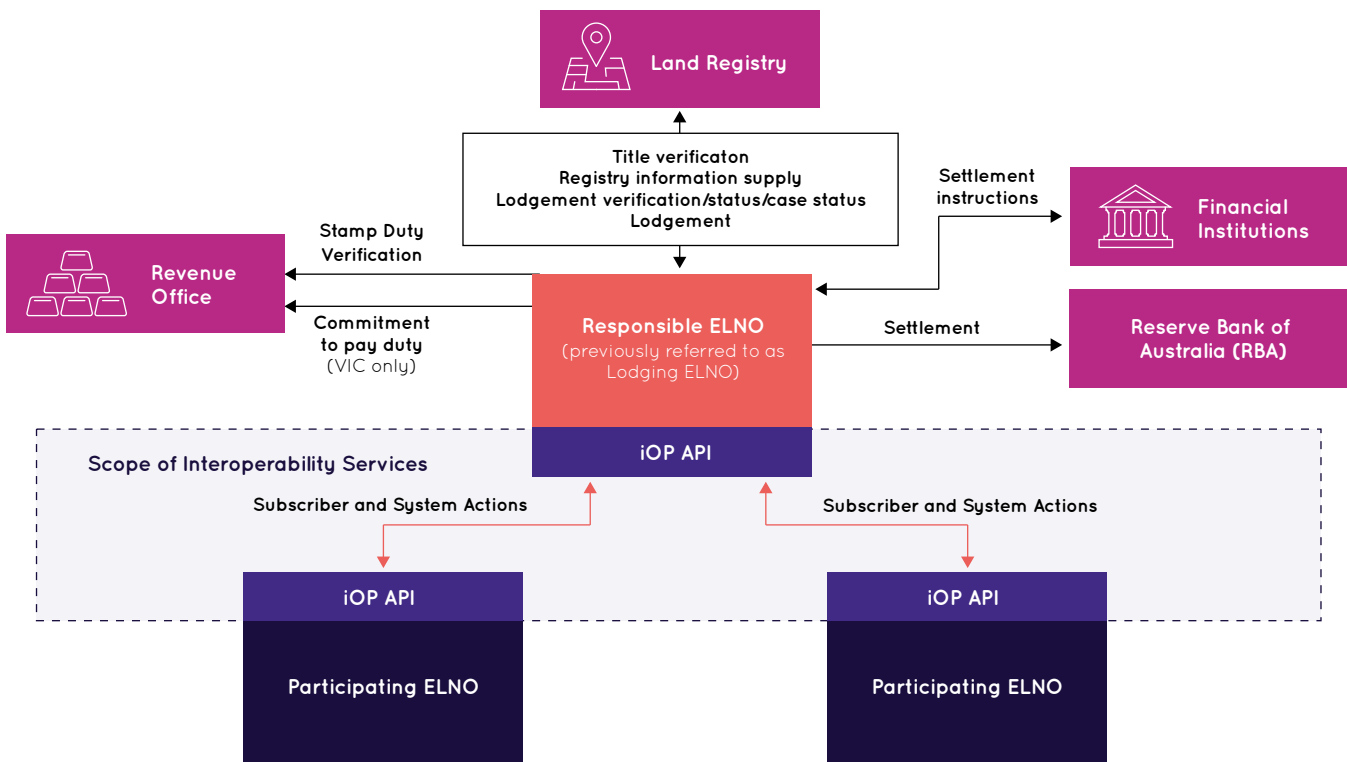
ARNECC has advised that it will release a regulatory impact statement for public consultation in June 2021, and it has released a high-level overview of anticipated amendments to the National Electronic Conveyancing Law. Under the intergovernmental framework, amendments to the legislation would be first considered by one State or Territory parliament and (if passed) then replicated in the other jurisdiction either automatically or by consideration of an identical bill. It is currently expected that the first lodgement and consideration of a bill will be in New South Wales later in 2021²³. For further discussion see Section 10.

If legislation is passed, ARNECC will then develop amendments to a range of subordinate regulatory instruments to elaborate the interoperability requirements and standards for ELNOs and other market participants.

2.6.4.2 The proposed interoperability model

Figure 12 provides a visual representation of the currently proposed interoperability model, the “Responsible ELNO model”.

Figure 12: Current proposed interoperability model²⁴



The proposed interoperability model will apply to electronic conveyancing transactions in which the participants have chosen to use different ELNOs. To facilitate the transfer of data between ELNOs, ARNECC is facilitating the development of interoperability application programming interfaces (APIs), known as the National e-Conveyancing Interoperability Standards, that will enable ELNOs to exchange data and communicate (see the interoperability interface at Figure 12). As at 21 May 2021, the interoperability APIs are still being developed, with further technical work required to develop related matters including process flows, business rules, non-functional requirements (such as security) and technical architecture. Further discussion regarding the development of the proposed interoperability model is set out in Section 10.

23. ARNECC publication – Joint Government Industry Statement (12 March 2021).

24. Interoperability Operational Committee, Interoperability Model Overviews, version 1 (30 March 2021).

For each interoperable transaction one of the ELNOs will be designated as the ‘Responsible ELNO’. The Responsible ELNO will orchestrate the transaction, interact with the relevant Land Title Office, financial institutions and (where required) State Revenue Office. It will also perform the financial and lodgement components required to complete the transaction. Other ELNOs that host one or more subscribers in the transaction are designated as ‘Participating ELNO(s)’.

Under the proposed interoperability model, the Participating ELNO(s) will pay a fee to the Responsible ELNO for the larger scope of services and the higher level of risk that it undertakes to orchestrate and execute an interoperable transaction.

The selection of the Responsible ELNO will first be determined by the responsible participant (either the incoming mortgagee or purchaser where there is no new mortgage) and secondly by capability. To perform the role, the Responsible ELNO must have in place suitable business processes and electronic connections with the participating Land Titles Office, State Revenue Office and financial institutions in the applicable jurisdiction. PEAL has established and developed these capabilities over many years and is well placed to perform the role of Responsible ELNO for the majority of interoperable transactions in the short term as interoperability is progressively implemented. In the longer term, the market share of Responsible ELNO(s) and Participating ELNO(s) will be determined by the competitive strengths of their offerings.

PEXA expects the interoperability agreement between ELNOs will govern, among other matters, the relationship between ELNOs, including provisions relating to dispute resolution, the fee payable by Participating ELNO(s) to the Responsible ELNO, business rules for designation of the Responsible ELNO, and provisions to ensure consistency with, and the incorporation of, regulatory and legislative amendments relating to interoperability. The parties are yet to negotiate and agree on the fee structure for interoperability, but ARNECC has proposed that until the market matures, Registrars should have power to regulate, or impose principles around, the pricing of such fees.

With regard to dispute resolution, ARNECC has proposed that there should be a requirement for the interoperability agreement to contain a binding dispute resolution process to resolve disputes between ELNOs relating to interoperable transactions, and that this process should be conducted by an independent arbitrator with sufficient knowledge of electronic lodgment networks, their operation and their purpose. ARNECC has previously noted that it does not consider it appropriate for the Registrars to have a dispute resolution function as they do not have the expertise or resources to perform that role. The form of any dispute resolution framework to support interoperability may also require reconsideration of basic principles of liability allocation. These matters are subject to further consultation and PEXA anticipates work will commence in this regard in the short term.

ARNECC, PEXA, Sympli and other key industry stakeholders have endorsed a number of principles to guide the development of the model, including that confidence in digital conveyancing is further strengthened, transactions need to be efficient and secure, and any solution must be implemented in a manner involving least disruption to industry.

3 Company Overview



3.1. Overview of PEXA

Conceived and established more than a decade ago to enable the phasing out of inefficient paper-based property settlements, PEXA is today the operator of the leading digital property settlements platform in Australia (the **PEXA Exchange**) and is pursuing growth options to capture additional domestic and international opportunities.

As at March 2021, the PEXA Exchange handled more than 80% of all property transfers¹ across Australia through its integrated platform that connects law firms and conveyancers representing property buyers, sellers and owners, financial institutions, Land Titles Offices, and State Revenue Offices. To date, the platform has been used to electronically lodge and settle more than 1.3 million property transfers and approximately 1.0 million mortgage refinancing settlements², with a total transaction value of more than A\$1.3 trillion³.

PEXA Exchange's facilitation of secure, reliable and efficient digital settlements has established the platform as a critical and trusted component of the Australian property market, providing confidence and stability for all participants in a property transaction.

To date, PEXA has invested significantly in the PEXA Exchange and the ecosystem around it. PEXA continues to invest in the development of the platform through new integrations, functionality and features while attracting new users by developing customer tools to enhance the PEXA Exchange and support customer experience and engagement (described further in Section 3.2.1.3).

While there remain clear growth opportunities as the nationwide adoption of digital property settlement continues, PEXA's vision is to be an international leader in digital property settlements and to leverage its experience, expertise, and proprietary technology to provide innovative services to a range of participants across the property industry and other stakeholders in Australia and internationally.

PEXA has identified three key growth initiatives:

- PEXA International: which seeks to replicate the success of the PEXA Exchange in Australia to develop digital property settlement solutions for offshore markets, with a project underway under a local CEO to potentially commence a pilot of an initial re-mortgaging solution in England and Wales in 2022, and investigations continuing into other potential markets with Torrens land title systems;
- PEXA Insights: which seeks to appropriately harness near real-time, accurate and near comprehensive property data from the PEXA Exchange and other data sources to generate valuable data-driven insights for property market participants and other stakeholders to enable them to make better property and property-related decisions; and
- PX Ventures: which seeks to build on PEXA's digital and industry experience, innovative and entrepreneurial culture and established relationships to develop new business opportunities with partners for consumers, businesses and governments across the property sector.

PEXA's exploration of new markets and services will be pursued in accordance with regulatory requirements and include execution risks as detailed in Section 5.2.4.3.

1. Market share based on BIS Oxford estimate of market and PEXA transactions.

2. Estimate based on number of Workspaces (differs from billable transactions, as there may be multiple transactions per completed settlement or mortgage refinancing).

3. As at March 2021.

PEXA Exchange

Australia's leading and most comprehensive Electronic Lodgement Network Operator (ELNO)

Estimated PEXA transfer market share

- Direct team driving organic uptake in QLD
- Roadmap in place to expand WA addressable transactions

Jurisdiction	Estimated PEXA transfer market share
QLD	80%
NSW	60%
VIC	96%
S.A.	98%
Tasmania	95%
N.T.	80%+

Estimated transfer market take up in all jurisdictions (active and inactive)

PEXA International

Bringing digital property settlement solutions to new international jurisdictions leveraging PEXA's experience in Australia

UK market entry strategy being executed

PEXA Insights

Providing innovative data insights and services for industry, government, consumers and other stakeholders

Work underway to develop a centralised Property Bureau

PX Ventures

Building on PEXA's digital and industry experience to develop new business opportunities through partnerships and investments

Pursuing opportunities across the property sector

Metric	Value
Over settlements and mortgage refinancing transactions completed	-1.3m and -1.0m
practitioner firms	9,400+
financial institutions	106+
consumers	1 million +

Category	Count
Land Titles Office (LTOs)	6
State Revenue Offices (SROs)	5
Reserve Bank of Australia	1
software providers	11

In collaboration with government and private stakeholders, PEXA (formerly National E-conveyancing Development Ltd, or **NECDL**) has pioneered the development of e-conveyancing and digital property settlements in Australia. NECDL was established in 2010 as a result of an industry drive towards increasing efficiency, reliability, accuracy and transparency in property transactions in Australia. NECDL was renamed Property Exchange Australia Ltd (**PEAL**) in 2014.

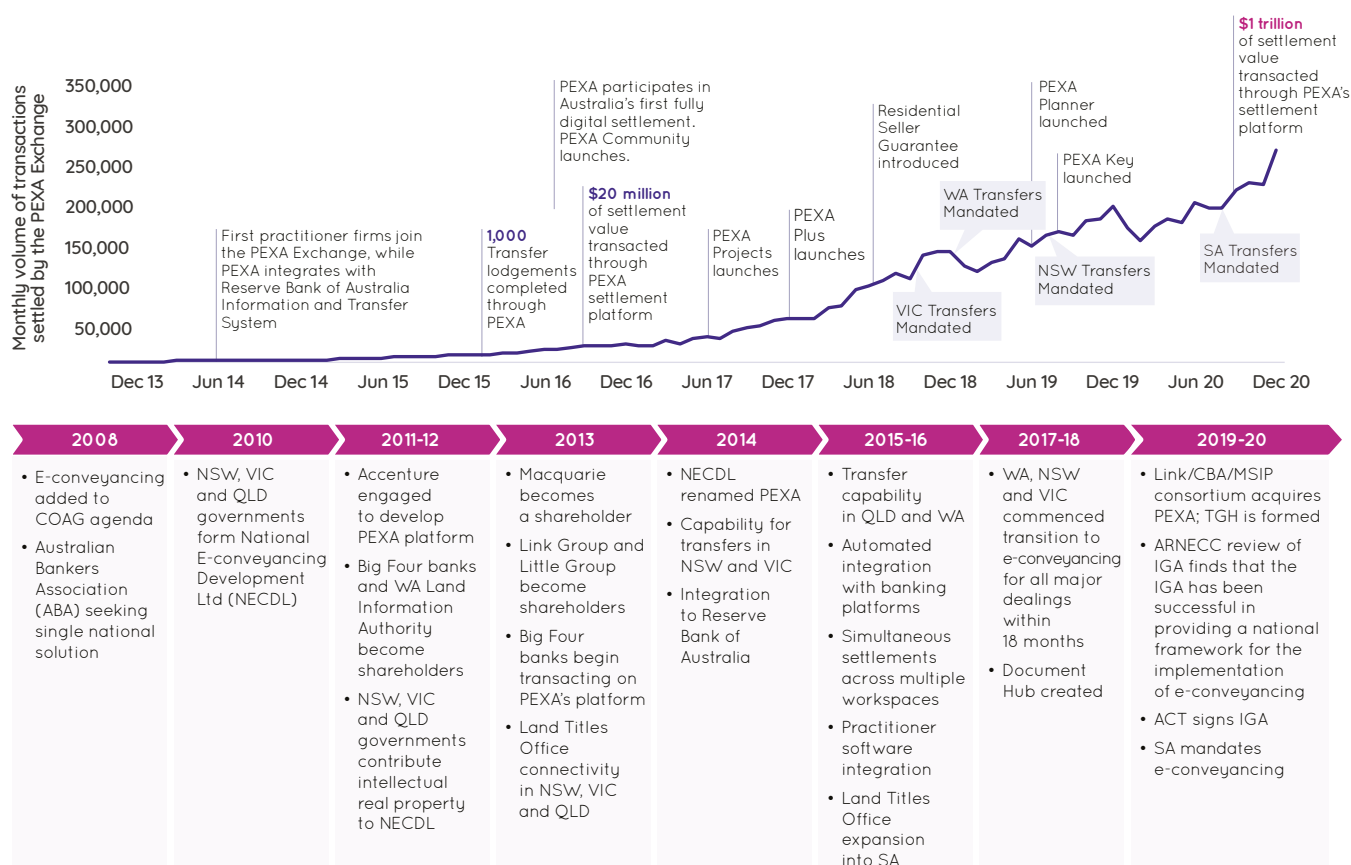
Since then, the PEXA Exchange transaction volume has grown significantly, supported by industry adoption and mandates in favour of e-conveyancing, which were introduced by the Victorian, Western Australian, New South Wales and South Australian State Governments. In 2018, PEXA was named the Technology Growth Company of the Year at the 2018 Australian Growth Company Awards.

4. Transfer market uptake based on BIS Oxford market size data and PEXA Exchange transaction volumes.
5. As at March 2021, estimate based on number of transfer transactions.
6. Based on jurisdictionally specific industry process requirements there is no need to develop an integration with the State Revenue Office to enable stamp duty processing in the ACT.
7. Lightyear Investments B.V., a subsidiary of North Haven Infrastructure Partners II, a fund managed by Morgan Stanley Infrastructure Partners.

In 2020, PEXA achieved the milestone of having had A\$1.0 trillion in settlement value settled through the PEXA Exchange. PEXA was recognised as a Service Champion, Customer Service Organisation of the Year (medium business category) at the Australian Service Excellence Awards in 2020. PEXA was also recognised as one of Australia's Most Innovative Human Resources Teams in 2020 and 2021 by HRD Australia. PEXA was also included as part of the 2020 Top 100 Most Popular Graduate Employers, and also received an Excellence Award for Best Workplace Flexibility Program from Australian HR Awards in 2020.

PEXA's company history is summarised in Figure 14.

Figure 14: Company history⁸



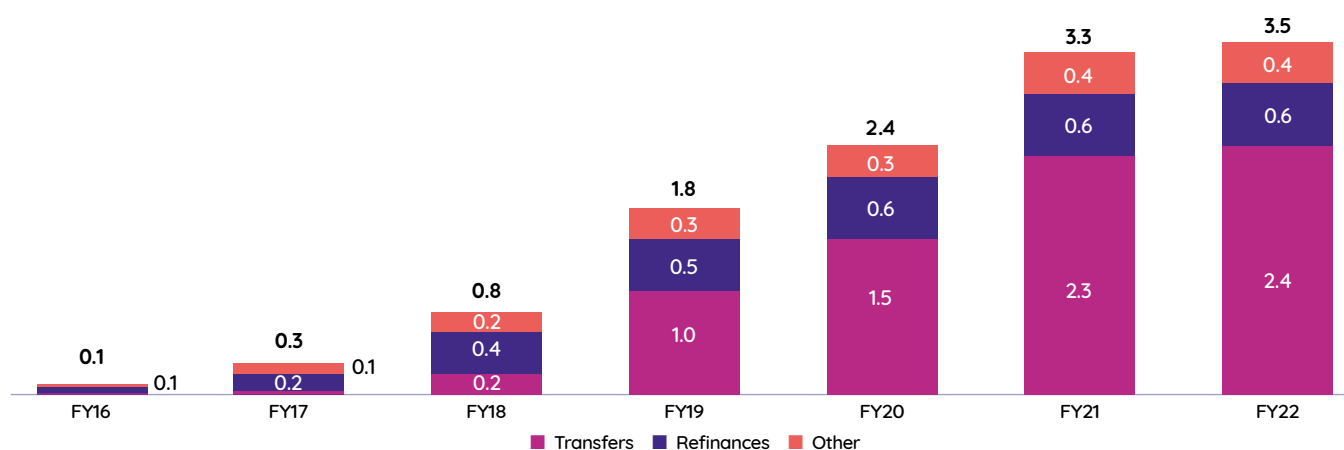
8. COAG refers to Council of Australian Governments; "Big Four" banks refer to the four largest banks in the Australian market: The Commonwealth Bank of Australia, National Australia Bank, Australia and New Zealand Banking Group and Westpac Banking Corporation.

3.1.2. Business evolution and growth

The PEXA Exchange has a history of year-on-year revenue and transaction volume growth. Since FY16, this growth has stemmed from the PEXA Exchange increasing its volume of total billable transactions in Australia, particularly the portion of transfers as a percentage of total billable transactions, as seen in Figure 15 below.

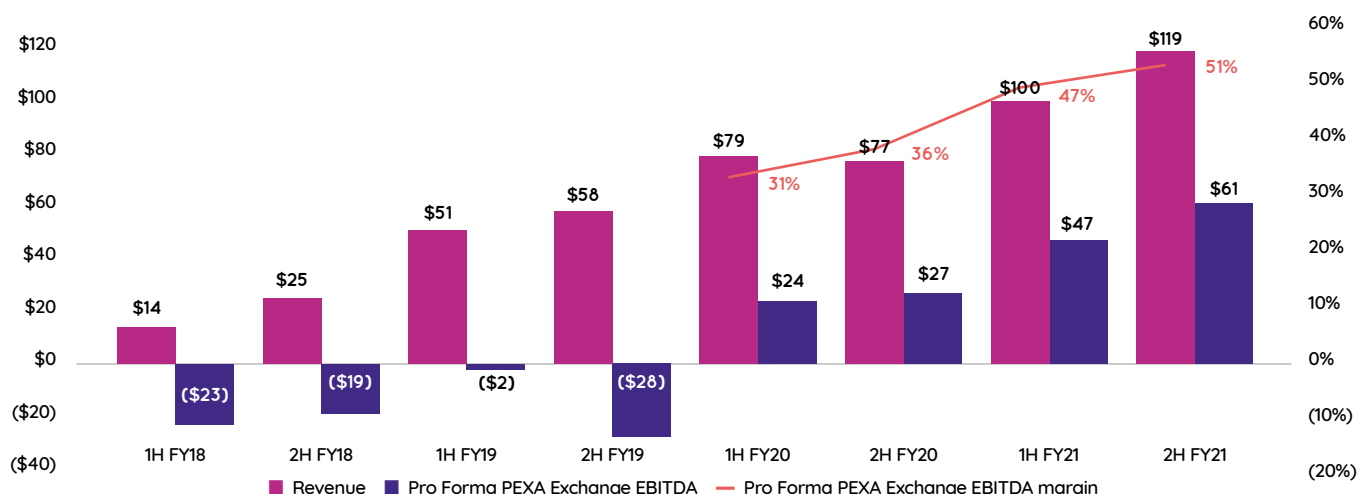
Figure 15: PEXA Exchange transaction volumes (millions)⁹

In the past five years, PEXA Exchange transaction volumes have grown from approximately 10,000 transactions per month in December 2015 to more than 300,000 transactions per month in March 2021. Transfer transactions, which generally involve more dealings and generate higher revenue, have rapidly grown from approximately 2% of PEXA Exchange transactions in December 2015 to approximately 71% of PEXA Exchange transactions in March 2021 as more practitioners have adopted the PEXA Exchange platform. Refinance transactions now make up a much smaller portion of PEXA Exchange transactions at approximately 19% in March 2021, compared to approximately 71% in December 2015.



The growth in PEXA Exchange transactions has resulted in strong revenue and pro forma historical PEXA Exchange EBITDA growth, with half yearly pro forma historical PEXA Exchange EBITDA margin increasing from 31% in 1H FY20 to 51% for 2H FY21, reflecting the significant operating leverage in the business. Figure 16 provides a summary of PEXA's semi-annual financial performance from 1H FY18 to 2H FY21.

9. Forecast PEXA Exchange transactions for FY21 are based on actual transactions for July 2020 to April 2021 and PEXA management estimates for May and June 2021 based on lodgements and registrations to date, including actual workspace openings to mid May 2021. Forecast PEXA Exchange transactions for FY22 are PEXA's forecast based on BIS Oxford's forecast of market volumes. See also Section 4.8.2.1 of this Prospectus for further information on the use of BIS Oxford estimates and revenue forecast assumptions.

Figure 16: PEXA financial performance over time and forecast – (A\$m, 30 June year-end)¹⁰

3.2. What is the PEXA Exchange?

3.2.1. Overview

PEXA operates the PEXA Exchange, Australia's leading Electronic Lodgment Network and is a robust, resilient, cloud-based platform that connects financial institutions, practitioner firms, the Reserve Bank of Australia, Land Titles Offices and State Revenue Offices to enable the digital lodgment and settlement of most property transactions. The PEXA Exchange currently operates in New South Wales, Victoria, Western Australia, South Australia and Queensland.

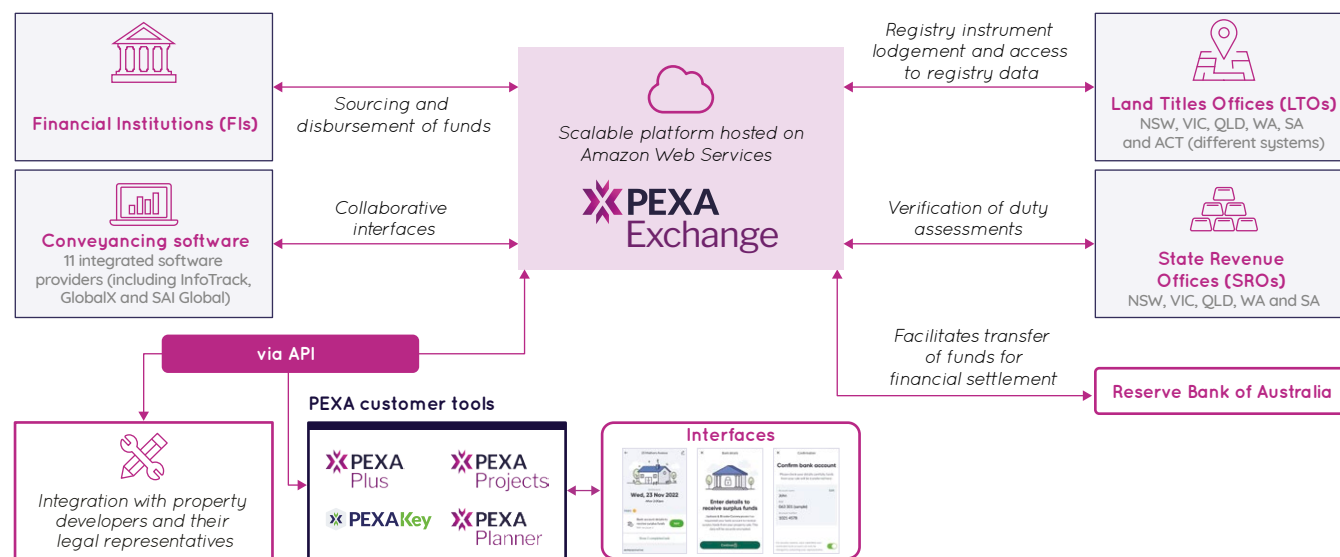
The PEXA Exchange digitally facilitates a range of essential functions in the conveyancing process, including:

- providing a secure online workspace (PEXA Workspace) through which the parties preparing a property transaction collaborate to prepare for settlement, increasing the transparency between all parties (as further described in Section 3.2.1.2);
- financial settlement of the property transaction through electronic funds transfer at the Reserve Bank of Australia through exchange of value between financial institutions;
- facilitation of financial disbursements at settlement; and
- lodgment of various dealings with the relevant Land Titles Office.

10. Pro Forma PEXA Exchange EBITDA excludes: (i) one-off corporate advisory and ESOP close out costs incurred as part of the PEXA acquisition of PEAL; (ii) costs associated with the forecast close out of the Management Equity Plan in FY21; (iii) offer costs on listing; and (iv) an AASB 16 add-back to compare periods on a post AASB 16 basis.

The PEXA Exchange was developed in collaboration with key market participants and, as at 31 March 2021, it has integration in place with the Land Titles Offices and State Revenue Offices in the five largest States for lodgement of documents, as well as the Reserve Bank of Australia, the Australian Taxation Office and major financial institutions for financial settlement. Contractual relationships have also been established with more than 160 financial institutions and over 9,400 practitioner firms across Australia. As a result, the PEXA Exchange is central to property market stakeholders in Australia, as outlined in Figure 17.

Figure 17: PEXA Exchange ecosystem



3.2.1.1 PEXA Exchange

Key highlights of the PEXA Exchange platform are set out in Figure 18.

Figure 18: Key highlights of the PEXA Exchange

Highlight	Highlights of the PEXA Exchange
High degree of industry coverage	• More than 9,400 practitioner firms registered as PEXA Exchange Subscribers. • Established contractual relationships with more than 160 financial institutions, representing a vast majority of mortgage lending in Australia. • Over many years PEXA has invested in backend integrations between the PEXA Exchange and six Land Titles Offices and five State Revenue Offices¹¹.
Established customer network	• As more financial institutions and practitioner firms have joined the PEXA Exchange, there is an increasing number of transactions capable of being processed on the platform. • PEXA Community, designed to support users of the platform and encourage increased utilisation, had over 120,000 unique visitors in the second half of CY20.

11. Based on jurisdictionally specific industry process requirements there is no need to develop an integration with the State Revenue Office to enable stamp duty processing in the ACT.

Highlight	Highlights of the PEXA Exchange																																		
Trusted brand and high Net Promoter Score	- Market research commissioned by PEXA indicates that PEXA is viewed by conveyancing industry participants as innovative, customer focused and effective¹². - PEXA rated ahead of its key peers across several brand perception metrics, including Net Promoter Score (NPS)¹³, and brand trust¹⁴. According to the survey, PEXA had an NPS of +55 and a brand trust score of 8.7. - PEXA believes that strong brand trust reflects an openness to trial new products, positioning PEXA to leverage its relationships to expand and accelerate take-up of new products and services. - Further details of survey participants' perceptions of PEXA's brand are illustrated in Figure 19 below:																																		
	Figure 19: Brand associations and Brand attributes ¹⁵																																		
	<table><tr><th>Brand associations</th><th></th><th>Next highest score</th><th>Brand attributes</th><th></th><th>Next highest score</th></tr><tr><td>Are experts at what they do</td><td>83%</td><td>56%</td><td>Effective</td><td>88%</td><td>55%</td></tr><tr><td>Have a positive influence on the industry</td><td>83%</td><td>39%</td><td>Reliable</td><td>83%</td><td>52%</td></tr><tr><td>Are constantly innovating</td><td>82%</td><td>41%</td><td>Innovative</td><td>80%</td><td>41%</td></tr><tr><td>Works collaboratively with industry partners</td><td>80%</td><td>50%</td><td>Customer focused</td><td>71%</td><td>42%</td></tr></table>					Brand associations		Next highest score	Brand attributes		Next highest score	Are experts at what they do	83%	56%	Effective	88%	55%	Have a positive influence on the industry	83%	39%	Reliable	83%	52%	Are constantly innovating	82%	41%	Innovative	80%	41%	Works collaboratively with industry partners	80%	50%	Customer focused	71%	42%
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Are constantly innovating	82%	41%	Innovative	80%	41%																														
Works collaboratively with industry partners	80%	50%	Customer focused	71%	42%																														
Customer guarantees	Subject to conditions, PEXA provides customer guarantees to PEXA Exchange Subscribers or their clients, including: - PEXA Residential Seller Guarantee: Provides a guarantee to sellers (capped at \$2 million) if, in a residential property sale, the vendor's funds are misdirected after the vendor's practitioner has entered the correct bank account details into the PEXA platform. - Lodgement Gap Cover: PEXA assumes responsibility for losses incurred when a third party dealing prevents registration or takes priority. - PEXA Key Secure Communication Guarantee: Provides protection to buyers and sellers when the bank account details communicated through PEXA Key are not the same as the bank account details entered by either the seller's or buyer's practitioner.																																		

12. PEXA commissioned Nature, a market insights consultancy, to conduct market research. The information in this section is based on a survey of 398 conveyancing industry participants conducted in December 2020. Competitors tested include InfoTrack, GlobalX and Sympli.

13. Which is a measure of the percentage of survey participants who indicate they would recommend a company to peers in their industry, less those who indicate they would not.

14. Which reflects the results of survey participants being asked to rate companies on a scale of 1-10 as a trusted provider of products or services to their business.

15. Percentages represent the proportion of participants who indicated they associated the statement with the company.

Highlight	Highlights of the PEXA Exchange
Reliable and secure	- The PEXA Exchange is built around principles of high availability, reliability and security with the platform achieving greater than 99.9% monthly availability¹⁶. - PEXA maintains a cyber security and data protection framework, including ongoing monitoring. - The PEXA Exchange has become an essential piece of infrastructure for many property market participants and supported the Australian property market to continue transacting during COVID-19.
Customer-focused platform to meet user demands	- Product innovation focused on enhancing service proposition to customers, including the use of prototyping and other customer design methodologies. - The PEXA Member Success team is dedicated to training and up-skilling practitioner firms.

3.2.1.2 PEXA Workspace

The PEXA Workspace is a secure online environment that enables one or more Subscribers to prepare the dealings and the instructions required to execute a property transaction.

Figure 20: Overview of the PEXA Exchange workflow

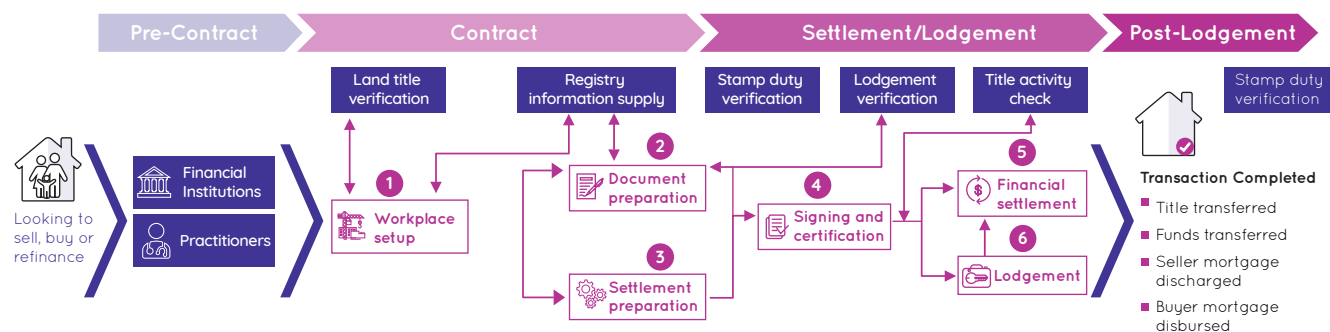


Figure 20 illustrates how Subscribers interact with the PEXA Exchange workflow to effect electronic settlement and lodgement of property transactions. Under paper-based conveyancing, the practitioner firms and financial institutions involved in the transaction may be required to meet in person to complete the settlement. The PEXA Exchange instead allows for the lodgement and financial settlement of the transactions to be completed digitally without the need for any physical meetings.

16. Annual (calendar year) simple average of monthly availability and reliability figures. Refer to Section 3.6.3.1 for further information on availability and reliability performance standards and PEXA's historical performance.

Figure 21: Workspace general overview

Objective	Description
Workspace setup	• PEXA Exchange Subscribers create a Workspace, which is a secure online environment that enables document preparation and funds transfer instructions exchange. • PEXA Exchange electronically retrieves land title information from the relevant Land Titles Office. • Document data is entered once in the workspace ensuring integrity of key data elements shared across documents.
Document preparation	• The PEXA Exchange guides users through the process of preparing documents to be lodged with the Land Titles Office and validates documents. • The PEXA Exchange electronically submits the documents to the relevant Land Titles Office, which then provides a verification response to the Workspace. • PEXA Exchange submits the stamp duty verification requests.
Settlement preparation	• Workspace participants enter source and destination line items for financial settlement. • Destination funds may be directed to loan payout, vendor's funds and third parties. • PEXA Exchange transaction fees and statutory lodgement fees are automatically calculated and populated as destination line items in the settlement schedule.
Signing and certification	• Practitioner firm's client authorises the practitioner firm to complete document signing electronically on the client's behalf. • Financial Institutions self-represent and digitally sign on their own behalf. • The PEXA Exchange monitors changes to Workspace data until lodgement. • If data changes impact a signed document, document will automatically be "un-signed".
Financial settlement	• PEXA facilitates the exchange of funds in conjunction with the lodgement of transaction documents, including in certain circumstances where PEXA holds funds on trust for example for a buyer or seller. In particular, PEXA may hold funds on trust for the purchaser clients of practitioners who do not operate their own statutory trust account or for an intended payee where their financial institution is not integrated with PEXA. • A two-step process developed in conjunction with the Reserve Bank of Australia ensures no party to a PEXA Exchange transaction is in possession of funds and title at the same time. • Payment interface with the Reserve Bank of Australia enables near real-time exchange of interbank settlement funds.
Lodgement	• PEXA Exchange electronically lodges transaction documents automatically with the relevant Land Titles Offices. • Land Titles Offices progress lodged transaction documentation to registration or otherwise may not proceed to registration (for example, if requisitioned). • PEXA Exchange notifies Workspace participants of successful lodgement and registration of the transaction.

3.2.1.3 PEXA's customers and associated customer tools

The customers of the PEXA Exchange, who are referred to as 'Subscribers', include legal and conveyancing firms executing transactions on behalf of buyers and sellers of property, and financial institutions providing and discharging mortgage-backed property financing.

Practitioner firms manage the overall transaction through the PEXA Exchange on behalf of their buyer and seller clients. Financial institutions often manage their own involvement and use of the PEXA Exchange but may elect to use external practitioner firms for standard mortgage processing and/or more complex transactions. To use the PEXA Exchange, Subscribers enter into agreements known as Participation Agreements.

Figure 22 provides an overview of the PEXA Exchange ecosystem and how it interacts with different property market participants to facilitate the digital property settlements process.

Figure 22: Overview of the PEXA Exchange ecosystem^{17,18}

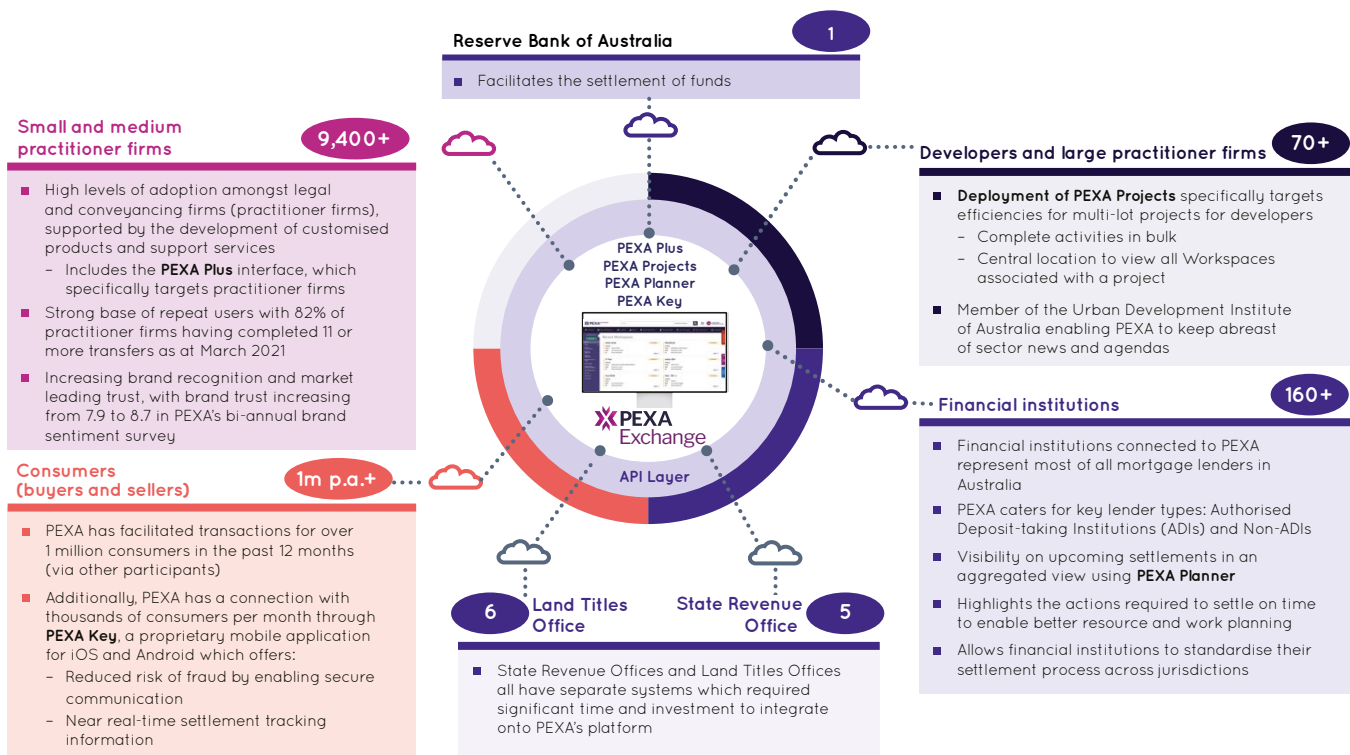


Figure 23 provides an overview of customer tools (PEXA Plus, PEXA Projects, PEXA Planner, PEXA Key and PEXA Tracker) that assist and enhance a Subscriber's interaction with the PEXA Exchange.

17. PEXA bi-annual brand sentiment survey including 398 practitioner firms and 29 financial institutions, points out of 10.

18. Based on jurisdictionally specific industry process requirements there is no need to develop an integration with the State Revenue Office to enable stamp duty processing in the ACT.

Figure 23: Overview of PEXA Exchange customer tools**PEXA Plus**

PEXA Plus offers a tailored experience for small and medium practitioner firms, with two main tools:

- **PEXA Plus Dashboard:** Launched in New South Wales in June 2018 and nationally in October 2018, the PEXA Plus Dashboard is currently designed for small and medium practitioner firms. It provides an intuitive overview of PEXA Exchange Workspaces, enabling customisation of summary information and account management. It delivers benefits through enabling self-service, enhancing Subscriber experience, and providing a window to the PEXA Plus Marketplace.
- **PEXA Plus Marketplace:** Marketplace offers services from its third party providers (including title and other services, and digital contracts). Currently it provides title searches and property council certificates in New South Wales and Victoria.

PEXA Projects

- **PEXA Projects** provides an efficient and simple way for property developers, large practitioner firms and panel law firms (representing developers) to manage multiple workspaces for multi-lot settlements. Given the size of some property developments, and the late stage at which subdivision occurs, preparing workspaces individually in the PEXA Exchange is a highly resource-intensive process. PEXA Projects provides the capability to complete essential activities in bulk and provides a central location to view the status of PEXA Exchange workspaces associated with a development.
- **PEXA Projects** is currently a free platform and is available for Subscribers to integrate the PEXA Projects functionality into their own platforms. In March 2021, 10% of PEXA Exchange transfers were processed through PEXA Projects.

PEXA Planner

- **PEXA Planner** is a platform for financial institution and large practitioner users that provides visibility on upcoming settlements in an aggregated view, highlighting the actions required to settle on time to enable better resource and work planning.
- As at 31 March 2021, PEXA Planner was being used by 27 banks and large law firms.

PEXA Key

- **PEXA Key** is a consumer mobile application (with an Apple App Store rating of 4.2/5, and a Google Play rating of 4.3/5 as at 4 May 2021), providing settlement tracking information to increase transparency for buyers and sellers and decreasing the risk of fraud by providing a mechanism to exchange financial information securely prior to settlement.
- **PEXA Key** is distributed via PEXA Exchange Subscribers and potentially gives PEXA access to buyers and sellers completing a property settlement to drive new business opportunities. PEXA Key was launched in August 2019 and more than 80,000 users had registered as at 31 March 2021.

PEXA Tracker

- **PEXA Tracker** is a platform for financial institutions that provides frontline staff with visibility on upcoming settlements providing:
 - A search and display of upcoming settlements
 - Real-time status of current transactions
 - Clarity on outstanding tasks to meet on-time settlement
 - Transparency on when settlements are scheduled

3.2.2. The PEXA Community

The PEXA Community is an online forum designed to promote peer-to-peer support, Subscriber advocacy and engagement by providing a platform to ask questions, share feedback and seek assistance from other Subscribers, industry experts and PEXA staff on all matters regarding digital property settlements and the PEXA Exchange. The PEXA Community was established to enable Subscribers to seek assistance about PEXA's products and services, and it has evolved to become a source of peer support. PEXA Community had over 127,000 unique visitors in the second half of CY20 and more than half of posts were responded to by users who were not PEXA employees.

3.3. PEXA Exchange business model

3.3.1. Business model overview

The PEXA Exchange generates revenue based on the volume and lodgement type of transactions. Fees are payable on completion of settlement, with PEXA Exchange's transaction revenue collected from the proceeds of settlement. PEXA estimates that the total potential addressable market opportunity for the PEXA Exchange in Australia will be approximately \$280 million¹⁹ for calendar year 2021, based on its forecast of property transaction volumes and transaction types and PEXA Exchange's prices. PEXA anticipates that the growth in PEXA Exchange revenue in future years will be impacted by four key drivers:

- **Market volume of billable transactions:** The number of property transactions and refinancings is a function of the broader property market, which is largely influenced by population size, household size, technological innovation, government stimulus and other economic conditions. Key factors are further explained in Section 2.2.
- **Market share:** The PEXA Exchange currently captures approximately 80% of all potential billable transactions in Australia. As described in Section 2.3.4 digital property settlements are available in the five largest jurisdictions in Australia (New South Wales, Victoria, Queensland, Western Australia and South Australia). Future market share growth will come from additional digital adoption in Queensland, enhanced digital settlement coverage in Western Australia and enablement of new jurisdictions over time.
- **Pricing:** PEXA Exchange's pricing policy provides for price adjustments for inflation and for regulatory and input cost changes, which is further explained below in Section 3.3.3.
- **Customer tools:** PEXA Exchange has a number of customer tools (PEXA Plus, PEXA Projects, PEXA Planner, PEXA Key and PEXA Tracker) to assist and enhance Subscribers' interaction with the PEXA Exchange, which are explained further in Section 3.2.1.3.

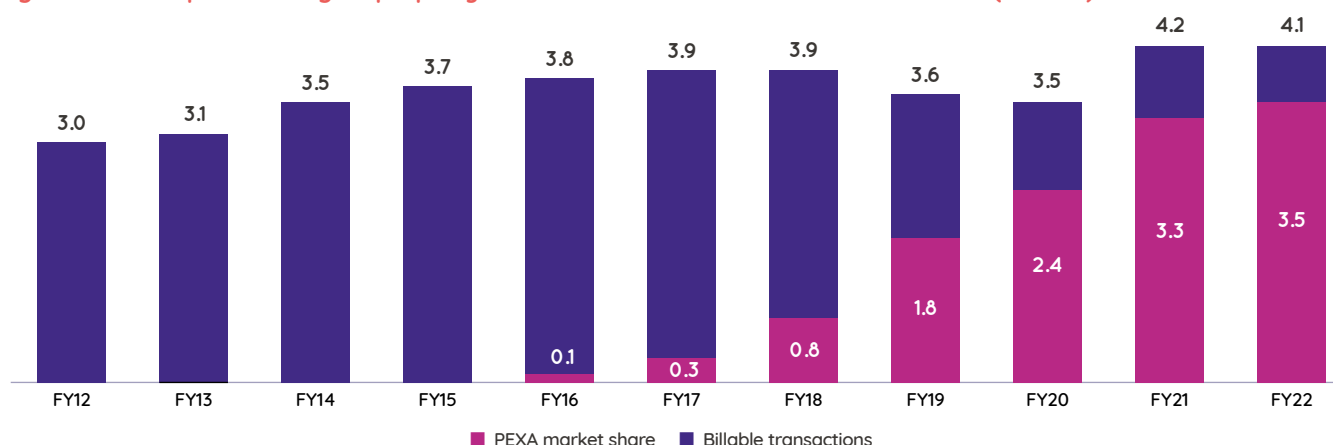
3.3.2. Market volumes and market share

Figure 24 below illustrates the number of potential digital property settlement billable transactions over the past decade. Based on BIS Oxford market size data and PEXA's internal transaction volume measures, PEXA forecasts that billable transactions will increase to 4.2 million transactions in FY21²⁰.

The PEXA Exchange has achieved strong growth in transaction volumes over the past three years as refinance and then transfer transactions have migrated from paper to digital. In the past five years, monthly PEXA Exchange transaction volumes have grown from approximately 10,000 transactions per month in December 2015 to over 300,000 transactions per month in March 2021, supported by new transaction types and jurisdictions. Figure 24 highlights the increased market share of PEXA, with the non-PEXA market representing primarily paper-based conveyancing transactions in States that have not mandated digital property settlements.

19. Based on PEXA pricing schedule and estimated transaction volume for CY21 from BIS Oxford. See also Section 4.8.2.1 of this Prospectus for further information on the use of BIS Oxford estimates and revenue forecast assumptions.

20. Forecast market volumes for FY21 are based on BIS Oxford estimated market volumes for July 2020 to March 2021 and PEXA management estimates for April, May and June 2021. See also Section 4.8.2.1 of this Prospectus for further information on the use of BIS Oxford estimates and revenue forecast assumptions.

Figure 24: Total potential digital property settlement billable transactions in Australia (millions)²¹

3.3.2.1 Acceleration through the COVID-19 pandemic

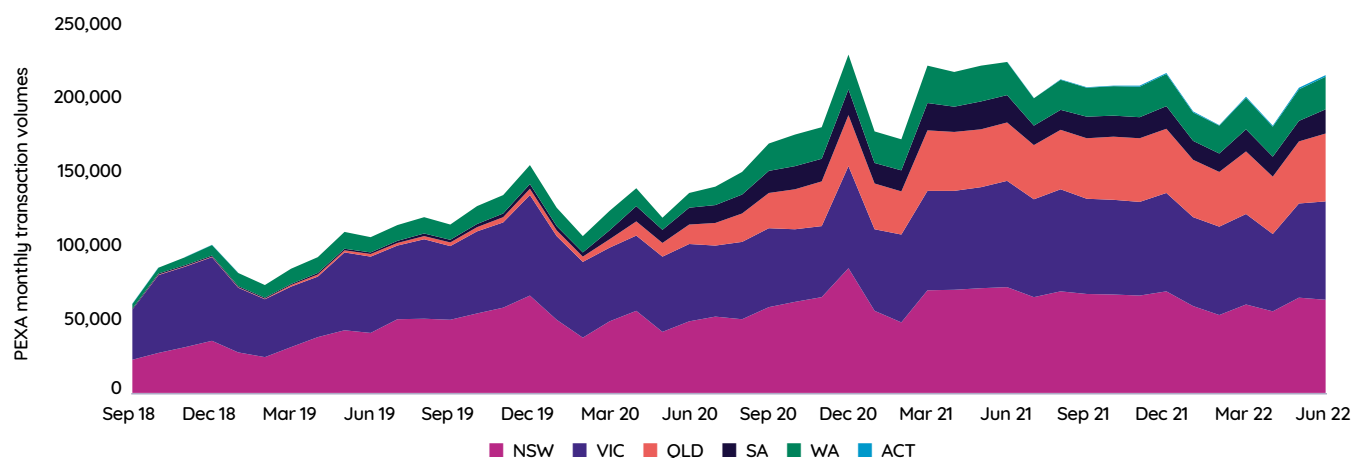
The PEXA Exchange played an important role in ensuring the property industry has continued to function during COVID-19 by providing digital property settlement services that negated the need for physical interaction and to settle transactions during State-mandated lockdown phases, and by changing its processes to temporarily facilitate the lodgement of non-supported dealings (e.g. accepting PDFs for certain paper-based dealings).

Between February 2020 and March 2021, the PEXA Exchange increased its transfer market share substantially (seen in Figure 9) in both recently mandated and non-mandated States, most notably the PEXA Exchange:

- increased market share in South Australia to 95% in March 2021 (up from 24% in February 2020), a State that had only just begun the transition to digital property settlements pre-COVID-19; and
- increased market share in Queensland to 60% in March 2021 (up from 9% in February 2020)²², a market that does not currently have mandated digital property settlements.

Figure 25 shows PEXA Exchange transfer volumes from September 2018 to April 2021 and forecast PEXA Exchange transfer volumes from May 2021 to June 2022. PEXA has forecast PEXA Exchange volumes for FY22 based on BIS Oxford's forecast of market volumes.

Figure 25: PEXA Exchange transfer transaction volumes



21. FY12-FY16 market volumes are based on PEXA management estimates. FY17-FY20 market volumes are BIS Oxford estimates. The market volume forecast for FY21 is based on BIS Oxford estimated market volumes for July 2020 to March 2021 and PEXA management estimates for April, May and June 2021. FY22 market volumes is a BIS Oxford forecast. Forecast PEXA Exchange transactions for FY21 are based on actual transactions for July 2020 to April 2021 and PEXA management estimates for May and June 2021. Forecast PEXA Exchange transactions for FY22 are PEXA's forecast based on BIS Oxford's forecast of market volumes. See also Section 4.8.2.1 of this Prospectus for further information on the use of BIS Oxford estimates and revenue forecast assumptions.

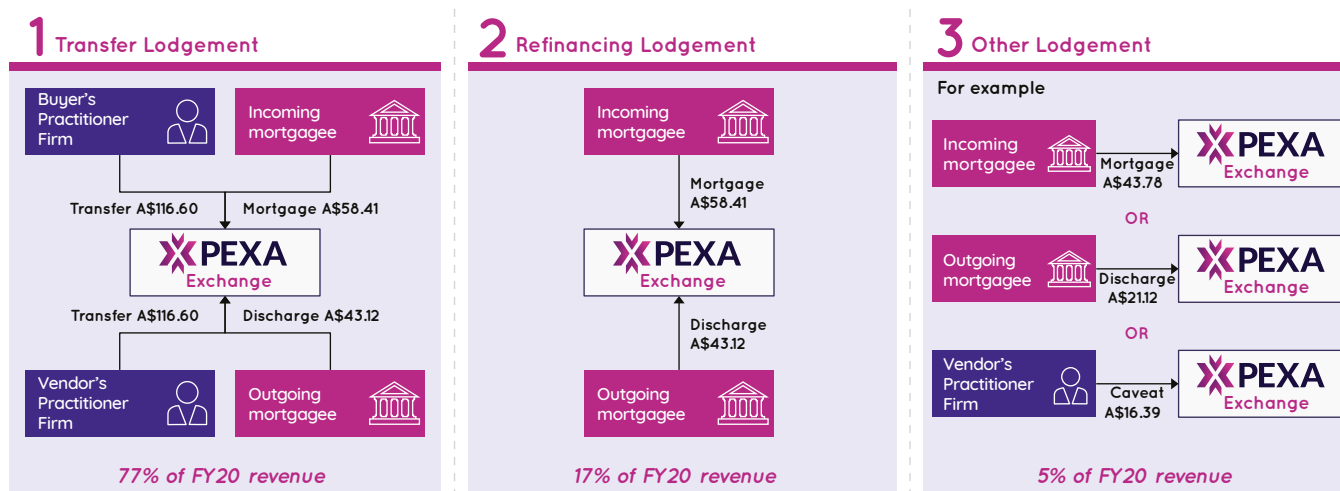
22. Market share based on BIS Oxford estimate of market and PEXA transactions. See also Section 4.8.2.1 of this Prospectus for further information on the use of BIS Oxford estimates and revenue forecast assumptions.

3.3.3. PEXA Exchange pricing

PEXA charges its Subscribers per successful PEXA Exchange transaction. PEXA does not charge set-up fees or subscription costs. The fees vary based on the type of PEXA Exchange transaction (as depicted by Figure 26 below). PEXA publishes the fee for each type of PEXA Exchange transaction annually as part of the pricing policy on its website.

PEXA Exchange transactions can be grouped into three categories: transfer lodgements, refinancing lodgements and other lodgements (as described in Section 2.3.3). PEXA Exchange fees are payable on completion of a transaction, as set out in Figure 26. In addition to PEXA Exchange transactions, PEXA charges for ordering and renewing the digital signing certificates it provides.

Figure 26: Example PEXA Exchange transactions and pricing at 31 March 2021^{23, 24, 25, 26}



Under the Model Operating Requirements, from 1 July 2019 to 30 June 2022, an ELNO may increase its service fees as listed in its pricing table, once every financial year on 1 July, provided that the percentage increase in the revised ELNO service fees does not exceed the percentage increase in the CPI for the immediately preceding March quarter when compared with the CPI for the March quarter of the previous year. Further, ELNO fees are determined according to a publicly available, equitable and transparent pricing policy that allows only for price adjustments based on:

- CPI: adjustments based on changes to lodgement support service input costs and operating costs (annually); and
- Regulatory and input cost changes: potential impacts to be passed through pari-passu.

The pricing requirements under the Model Operating Requirements replicate PEAL's contractual arrangements with PEXA Exchange Subscribers.

In New South Wales, pursuant to the general conditions to operate an ELNO that apply to all ELNOs, PEAL's ELNO service fees must also be set in compliance with a 'CPI less X' pricing regime, where the 'X' factor is set by the New South Wales Registrar annually. As at the date of this Prospectus, the 'X' factor is set at 0 and has been 0 since this pricing regime was introduced. In practice, the New South Wales Registrar has previously considered advice from the Independent Pricing and Regulatory Tribunal for New South Wales (**IPART**) in setting the X factor.

23. PEXA Exchange pricing schedule as at March 2021: <https://www.pexa.com.au/pricing>. All figures include GST.

24. Example shown is a four party transfer Lodgement with discharge and mortgage.

25. Prices include financial settlement and are for single titles.

26. Stand-alone mortgage and stand-alone discharge prices shown to exemplify other lodgements.

In November 2019, the IPART assessed the PEXA Exchange fees prices and deemed them to be reasonable and set at or below the prices a benchmark efficient ELNO would set. The PEXA Exchange fees represent approximately 0.02% of the total costs of an average home purchase and approximately 0.5% of the total transaction costs (based on a typical transfer settlement at the median house value in New South Wales).

There are no registration or ongoing fees to be a Subscriber other than fees for the provision and renewal of digital certificates. Pricing arrangements for new products and services will be considered and reviewed by PEAL as they are developed.

3.4. Additional strategic growth initiatives

PEXA has developed a range of assets and capabilities that it intends to leverage to pursue potential strategic growth initiatives, including:

- developing expertise in e-conveyancing and has created a system that appears to be unique globally;
- playing a central role in over 80% of all Australian property transfers and has access to near real-time, accurate and near comprehensive data available through the PEXA Exchange;
- establishing relationships with key market participants including financial institutions, lawyers, conveyancers, governments, property vendors (sellers) and purchasers (buyers); and
- developing experience in industry transformation, stakeholder management and large-scale change management associated with delivering new industry solutions.

PEXA believes that these assets and capabilities have opened a range of opportunities for it to expand its business into new products and services and to replicate its digital property settlements platform knowledge in new geographies. PEXA is pursuing these potential opportunities through three initiatives, which it calls PEXA International, PEXA Insights and PX Ventures.

- **PEXA International:** As a leading operational digital property settlements platform that completes both lodgement and settlement, PEXA will seek to bring digital property settlement solutions to other jurisdictions, particularly those with similar Torrens land title systems, based on PEXA's experience in the Australian market (with regulators, practitioners and financial institutions) in the development of those solutions. PEXA is working on an "international" version of its PEXA Exchange platform that is intended to provide a digital property settlement solution for new jurisdictions. PEXA has chosen the UK (through England and Wales) as the first jurisdiction for its international expansion. It has established a management presence in the UK, is developing relationships with key stakeholders and is working towards potentially commencing a pilot of an initial re-mortgaging solution in 2022.
- **PEXA Insights:** The PEXA Insights initiative stems from the recognition that the wealth of property and transaction data captured through the PEXA Exchange constitutes a uniquely comprehensive near real-time data set. The PEXA Insights team is in the early stages of developing products and services that appropriately leverage PEXA's property data, together with third party data, to generate innovative data solutions for this market.
- **PX Ventures:** PX Ventures aims to build on PEXA's digital and industry experience, innovative and entrepreneurial culture and established relationships to develop new business opportunities with partners for consumers, businesses and governments across the property sector. PEXA may pursue opportunities itself but is also likely to enter into partnerships and joint ventures and invest in other businesses.

To date, PEXA has commenced the investment in its team, capabilities, and infrastructure to support these potential strategic growth initiatives and address the possible available market opportunities. PEXA will leverage insights and experience from previous product offering and plans to invest in these potential strategic growth initiatives in this Prospectus forecast period and beyond. Section 5.2.4.3 of this Prospectus for a description of certain risks in respect of these key strategic initiatives.

3.4.1. Market opportunity

PEXA engaged Frost & Sullivan, a global consulting firm, to estimate the potential market sizes for a range of products and services that PEXA may develop. PEXA is providing these estimates as they may assist potential investors to understand the potential pool of revenue that may be available for particular products and services or groups of products and services. It is important to understand that these estimates are estimates of a market size that may be available for actual or potential products and services but are not estimates or predictions of the size of a market that exists now or a market that will exist in the future for the indicated products and services. A number of these estimates relate to products and services that do not currently exist, for which there is no existing data on which to base a revenue estimate, and which are therefore inherently more speculative.

The actual revenue available in the future to the products and services indicated may be subject to considerable regulatory and third party approvals and many factors beyond PEXA's control, including changes in the property market, changes to the range of alternative or substitute products and services available and their pricing, changes in the range of channels to market available to service providers and general economic factors.

By providing these estimates, PEXA is not representing that it will be able to develop products and services that earn a share of the revenue and is not providing any estimate of the revenue that any of the products and services that it develops will achieve. The financial forecast in Section 4 assumes that PEXA will generate no significant revenue from these growth initiatives during the forecast periods, and the timing of any products and services that PEXA may develop is uncertain and may be subject to regulatory and third party approvals. If any of these opportunities are pursued through a joint venture, investment or other partnership, any resulting revenue will not accrue to PEXA but to the entity that pursues the opportunity, so any benefit to PEXA will be only indirect. See Section 5.2.4.3 for further information regarding the risks related to PEXA's growth initiatives. It is also important to note that the potential strategic growth initiatives may have considerable execution risks.

In order to enable potential investors to assess the reasonableness of the estimates of potential market size and the assumptions underlying the estimates, a detailed description of the way Frost & Sullivan calculated these estimates is set out in Section 10.11.

3.4.1.1 PEXA International

Frost & Sullivan estimated potential market sizes for an e-conveyancing platform similar to PEXA Exchange in the United Kingdom, New Zealand and the provinces of Canada with Torrens land title systems. These estimates are based on applying the pricing and transaction mix of PEXA Exchange in Australia to the estimated number of property transfers in those jurisdictions.

United Kingdom – Frost & Sullivan estimates that the potential market size for e-conveyancing in the United Kingdom is \$719 million, of which \$641 million relates to England and Wales, where PEXA International plans to launch initially.

New Zealand – Frost & Sullivan estimates that the potential market size for e-conveyancing in New Zealand is \$89 million.

Canada – Frost & Sullivan estimates that the potential market size for e-conveyancing in Canada (excluding the provinces of Quebec, Prince Edward Island and Newfoundland and Labrador, where Torrens title is not used) is \$234 million.

3.4.1.2 PEXA Insights

Frost & Sullivan has estimated potential market sizes for two sets of products: property data services that are comparable to existing property data services in the market and potential services for which there is no existing comparable. Frost & Sullivan has estimated the potential market size for existing data services based on the revenues of existing providers of property data services. Approximately half of Frost & Sullivan's revenue estimate is based on the property data revenue identified in financial statements or other public disclosures of market participants. For market participants that do not disclose property data revenues, Frost & Sullivan has estimated revenues based on its estimates of market share and an assumption of comparable pricing across the industry. Frost and Sullivan estimates that the potential market size for existing property data services is approximately \$400 million.

In addition, Frost & Sullivan has estimated the potential market sizes for a set of potential products and services that PEXA Insights may develop for which there is no comparable product or service currently in the market. Because these products do not exist and demand for such products and the price clients would be willing to pay cannot be known, Frost & Sullivan's estimate of the potential market size for these products is inherently more speculative and has greater uncertainty than the estimates for existing data services. Given this, there can be no assurance that PEXA will be able to develop these products or earn any share of these estimated market sizes. For example, PEXA has previously sought to develop data insight products and services within PEXA Plus and PEXA Key without generating material revenue. Although Frost & Sullivan believes that the products and services identified as not currently available are not direct substitutes for existing products and services, it is possible that they may replace or offer overlapping benefits with existing products. Accordingly, the estimates of potential market size for existing property data services and products and services not currently available should not be treated as cumulative.

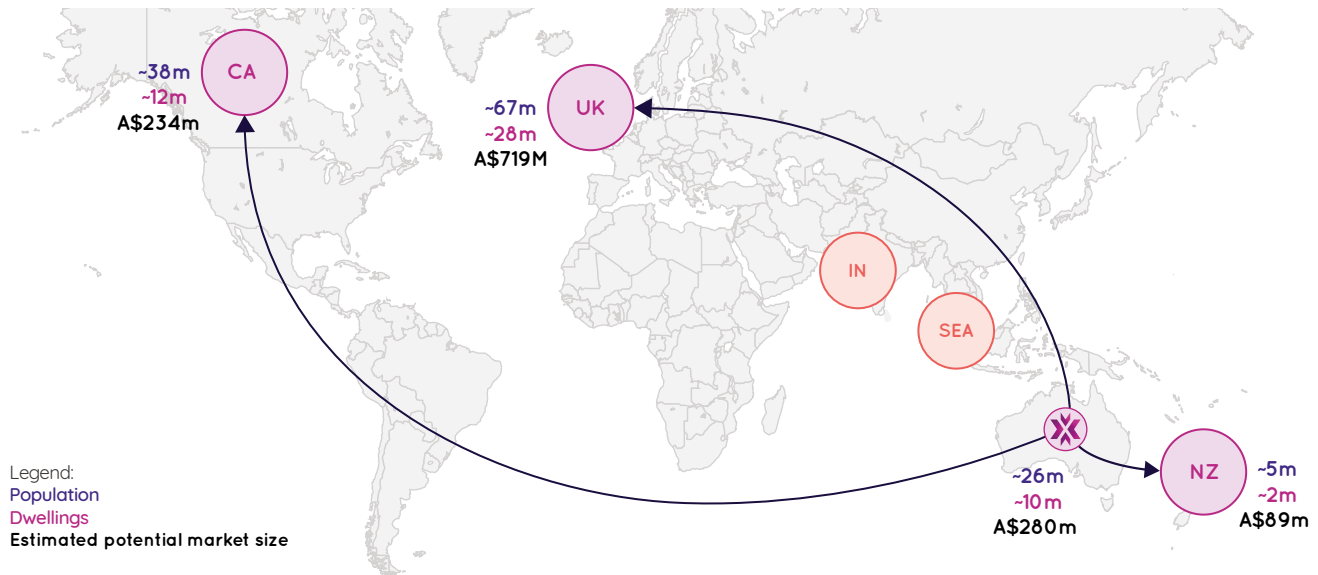
Frost & Sullivan's estimate of the potential market size for the products and services and potential clients is included in Section 10.11.2.

3.4.2. PEXA International

PEXA has observed some interest from governments, financial institutions and other industry stakeholders in several international markets for digital property settlements solutions to drive digital transformation and eliminate paper-based conveyancing transactions.

PEXA's digital property settlement platform is developed upon the Torrens title system, and PEXA has observed some common processes and characteristics in England and Wales that are shared with Australia. Other Torrens title jurisdictions such as Ireland, New Zealand, Singapore, Malaysia, India and parts of Canada²⁷ may also have similarities. These similarities provide further support for the potential applicability of digital property settlements in these markets. Figure 27 outlines the populations and dwellings for these select potential opportunities.

27. Torrens title jurisdictions are those that use a centralised land register that represents an authoritative register of real property interests.

Figure 27: Potential international digital property settlement markets (Torrens-based jurisdictions)^{28, 29, 30, 31}

As mentioned above, a PEXA Exchange platform may address issues that are common to property transactions in many jurisdictions. In particular, the PEXA Exchange platform provides:

- a digital workspace that can facilitate secure collaboration between land registries, relevant government agencies, financial institutions and practitioners acting on behalf of buyers and sellers;
- the ability to verify and validate data continuously against land registry records to reduce errors and fraud;
- a framework for each participant to digitally sign lodgement and settlement instructions; and
- an interface with central banks and payment providers to orchestrate the movement of funds between institutions following confirmation of settlement.

PEXA believes that it has credibility in other markets due to its experience and track record in facilitating the industry transformation in Australia, including working with central banks, financial institutions, governments, law societies and industry bodies to agree on standards and promote the adoption of digital property settlements, as well as its proven platform.

Figure 28 below summarises Frost & Sullivan's estimates of digital property settlement potential market size for certain international market opportunities that PEXA has examined as potential priority expansion opportunities. Frost & Sullivan calculated these estimates assuming Australian pricing levels and transaction mix, indexed to the 3-year average number of transactions in the relevant market. PEXA has commenced the assessment of New Zealand and Canadian markets as potential jurisdictions for market launches following the UK, but any decision to proceed with further business planning in respect of these or any other Torrens title jurisdiction would be subject to Board approval and market conditions.

28. Australia based on PEXA pricing schedule and estimated transaction volume for CY21 from BIS Oxford. United Kingdom, New Zealand and Canada per Frost & Sullivan Market Report.

29. Canada figures exclude Quebec, Prince Edward Island, Newfoundland and Labrador.

30. Australian dwellings per Australian Bureau of Statistics Residential Property Price Indexes: Eight Capital Cities. December 2020.

31. SEA = South East Asia and refers to potential opportunities in Singapore and Malaysia. The potential SEA and India opportunities have not been sized by Frost & Sullivan.

Figure 28: PEXA International potential market size for digital property settlements, population and dwellings for select market opportunities

Country	Estimated digital property settlements potential market size (A\$m) ¹	Population (m) ²	Dwellings (m) ³
Australia (for comparison)	\$280	25.7	10.6 ⁴
United Kingdom	\$719	66.8	27.8
New Zealand	\$89	5.0	2.0
Canada (Torrens jurisdictions only ⁵)	\$234	37.7	12.4

1. Australia based on PEXA pricing schedule and estimated transaction volume for CY21 from BIS Oxford. United Kingdom, New Zealand and Canada per Frost & Sullivan Market Report.
2. Frost & Sullivan Market Report.
3. Frost & Sullivan Market Report.
4. Per Australian Bureau of Statistics Residential Property Price Indexes: Eight Capital Cities. December 2020.
5. Excludes Quebec, Prince Edward Island, Newfoundland and Labrador.

3.4.2.1 Expansion into the UK

PEXA is working on designing and developing a new international technology platform that is intended to provide a digital property settlements solution that it can use as the basis of a PEXA Exchange in new jurisdictions. In April 2021, PEXA partnered with ThoughtWorks, a global software consultancy firm, to undertake the design and platform build work. PEXA's intent is that its investment in the international platform will have re-use across multiple international jurisdictions.

After completing a market scoping exercise, PEXA selected England and Wales in the UK to launch its international expansion. PEXA has established an Australian and UK based team, including the appointment of a UK CEO (James Bawa) who has over 30 years' experience in the UK financial services industry.

The UK presents a sizeable opportunity, with almost three times the volume of residential dwelling stock as the Australian market and an estimated potential market size of A\$719 million³². The UK property market has some reliance on paper-based lodgement and settlement systems as Australia did before the establishment of PEXA. As at the date of the Prospectus, PEXA believes it may be the only player that is currently trying to simultaneously address the lodgement and settlement component of the stages of a typical property transaction in the UK. PEXA's UK entry appears to be supported by industry tailwinds that are driving the transition in the UK from paper to digital property settlements:

- the UK Government is committed to a "digital strategy for a digital economy" and encouraging the development of digital infrastructure in the UK³³;
- Her Majesty's Land Registry (the land registry for England and Wales, covering 89%³⁴ of UK population and dwellings) is supportive of encouraging digitisation including through its 'Digital Street' research and development project; and
- over the past year the UK has witnessed a declining conversion rate in re-mortgages. In particular, during the initial COVID-19 lockdown, the UK re-mortgage market experienced delays in the time between post-offer to completion. This has led to consumers dropping out of transactions and has driven lenders and governments to seek digital solutions to improve speed to completion. COVID-19 was a factor in the declining conversion, as only 64% of re-mortgage offers resulted in a completion in Q2 CY20 which was down from approximately 82-88% in CY18 and CY19³⁵.

32. Frost & Sullivan Market Report; See Sections 3.4.1 and 10.11 for important information about how Frost & Sullivan estimates the potential market sizes.

33. UK Digital Strategy 2017.

34. Frost & Sullivan Market Report.

35. Corporate Value Associates, Benefits Assessment of PEXA UK Re-mortgage Digital Solution (December 2020).

PEXA is working towards commencing the pilot of a UK re-mortgage product during calendar year 2022. PEXA has been engaging with financial institutions and the Bank of England to develop the relationships and lay the groundwork necessary to launch a digital property settlements product. PEXA has been working with a number of the larger lenders in the UK and has also been engaging with the land registries including Her Majesty's Land Registry and Registers of Scotland.

PEXA's ability to launch a digital settlements product is dependent on a number of areas including the availability of "slots" with the Bank of England to develop the necessary integration with its Real Time Gross Settlement system. The availability of these slots will be affected by the Bank of England undertaking a multi-year upgrade to its Real Time Gross Settlement system, which is due to commence in 2022 and which means that the Bank of England will not consider the integration of new platforms during this period. Through its discussions with financial institutions, PEXA is working towards arranging a commitment from at least one financial institution by August 2021 to undertake joint integration testing with the Bank of England prior to the upgrade commencing. PEXA's plans could be negatively impacted by a failure to obtain these slots or due to delays to the Bank of England's system upgrade (refer to Section 5.2.4.3).

PEXA's UK plans have a number of execution risks and may require regulatory and other third-party approvals. See Section 5.2.4.3 for a discussion of risks, and Section 10.10.6 for a discussion of the financial regulatory framework relating to PEXA's proposed settlement solution for England and Wales.

Figure 29: UK market breakdown by jurisdiction

Country	Estimated digital property settlements potential market size (A\$m) ¹	Population (m) ²	Dwellings (m) ³
England and Wales	\$641	59.4	24.7
Scotland	\$62	5.5	2.3
Northern Ireland	\$17	1.9	0.8

1. Frost & Sullivan Market Report; See Sections 3.4.1 and 10.11 for important information about how Frost & Sullivan estimates the potential market sizes.
2. Frost & Sullivan Market Report.
3. Frost & Sullivan Market Report.

3.4.2.2 Opportunities in other target jurisdictions

PEXA has commenced the assessment of the New Zealand and Canadian markets as potential jurisdictions for market launches following the UK. PEXA will assess other Torrens title jurisdictions in greater detail in the future. PEXA's plans to expand in other target jurisdictions may require regulatory and other third party approvals. See Section 5.2.4.3 for a discussion of risks.

New Zealand opportunity

New Zealand has an electronic lodgement solution provided by the registry, but it primarily facilitates the lodgement of documents not financial settlement. PEXA has existing relationships with Australian banks operating in New Zealand and may be able to leverage those relationships to develop a more comprehensive digital settlement solution.

Canada opportunity

Canada operates a Torrens title system across 10 provinces and territories. While electronic lodgement solutions exist in a few provinces there is a potential opportunity for a national solution encompassing financial settlement. The structure of the banking industry in Canada is similar to Australia, with national banks operating across multiple jurisdictions and therefore may present a similar opportunity to develop a national, multi-jurisdictional solution combining lodgement and financial settlement.

Other jurisdictions

Further work is required to verify opportunities in other Torrens jurisdictions that are members of the Commonwealth including Singapore, Malaysia and India.

3.4.3. PEXA Insights

The goal of PEXA Insights is to appropriately leverage the unique, authoritative and timely data available through the PEXA Exchange, together with third party data, to provide data-driven insights to a range of stakeholders. Frost & Sullivan estimates that the potential market size for existing property data services in Australia is approximately \$400 million³⁶. Principal industry participants in property data services in Australia include CoreLogic (formerly RP Data), Pricerfinder (Domain), Hometrack (REA Group) and the major credit bureaus (such as Experian, Equifax and Illion) that also provide property-related data.

Multiple opportunities for PEXA Insights may potentially exist with a number of applications across the Australian property market. In addition to competing in the existing property data market, PEXA Insights has the opportunity to create new markets based on unique data about Australian property. An overview of potential PEXA Insights products is detailed in Figure 30 below. Because these products are not currently available in the market, Frost & Sullivan's market size estimates are inherently more speculative than the estimates for existing data services. There can be no assurance that PEXA will be able to develop these products or earn any share of this market and there may be a number of considerable regulatory and execution risks. Frost & Sullivan estimates the potential market size for new products and services that are not currently available to be similar to but less than the market for existing data services. In addition, PEXA Insights may require approval from various parties to use or offer data in certain products and services that it develops, as explained further in Section 3.4.5.1.

Frost & Sullivan's estimate of the potential market size for the products and services that are not currently available is included in Section 10.11.2.

Figure 30: Potential new PEXA Insights products and services

Customer group	Potential PEXA Insights products and services
Financial institutions: banks, insurers, lenders, brokers	• Lenders mortgage insurance discharge notification • Financial institutions mortgage share benchmarking and performance monitoring
Real estate and conveyancers	• Migration reports (Real estate agents) • Insights and benchmarking (Conveyancing)
Developers	• Developer insights including migration with changing demographic patterns
Consumers	• Property registration certificates
Government	• Forecasting stamp duty revenues • Migration insights/changing demographic trends

36. Frost & Sullivan Market Report; See Sections 3.4.1 and 10.11 for important information about how Frost & Sullivan estimates the potential market sizes.

3.4.3.1 PEXA's competitive positioning in the property data market

PEXA believes that it may develop data products that have the potential to fill a gap in the range of property data products currently available in the market. Currently, the following types of property data are available from existing market participants as shown below in Figure 31.

Figure 31: Comparison of PEXA Insights to alternative data offerings

Market Participants	
Property data providers	A number of organisations offer property data products that are primarily based on sales data provided by sales agents. The data may be subject to changes made between contract signing and settlement. This data may be verified by reference to Land Titles Office data, which is only available after a delay. These datasets will only include a portion of sales data and will only have limited data from mortgage/refinancing transactions.
Land Registries	The State and Territory land registries (which are operated privately in New South Wales, Victoria, South Australia and Western Australia) make available a range of highly accurate real estate data. However, each registry only has data from its jurisdiction and their data is generally only available after a delay.
Financial institutions	Financial institutions collect reliable, detailed and real-time data about the real estate transactions that involve them providing finance, but the data is generally limited to their own customers and their transactions.
PEXA	In contrast, the data collected from the PEXA Exchange represents a more comprehensive national dataset encompassing over 80% of property transfers in March 2021. PEXA's data is more timely, accurate and includes both real estate and financial information.

3.4.3.2 Product examples

PEXA Insights has commenced the early development, testing and delivery of some products and services that leverage the combination of timely and authoritative PEXA Exchange data with third party data, creating insights and value to various participants.

Figure 32: Examples of PEXA Insights products

Target customer group	Description
Financial institutions	Example products: • Product to aggregate a range of property data at a postcode level to allow financial institutions to benchmark performance against the broader lending market to make real-time strategic decisions. • Product to notify providers of lenders mortgage insurance when an insured mortgage is discharged. • Product to provide lenders with a current view of all mortgages registered across multiple jurisdictions.

Target customer group	Description
Financial institutions <i>continued</i>	Benefits to financial institutions: • Detailed and timely market share information by volume (number of loans) and value (size of loan) to lenders. • Value-added solutions to save time and deliver process efficiencies, including the receipt of discharge settlement notifications in real-time. • Transaction insights to help financial institutions understand their individual performance by value, volume, suburb and counterparty. • Efficiency and improved capital management to providers of lenders' mortgage insurance by providing rapid notification when an insured mortgage is paid off, allowing them to release capital held against that mortgage sooner. • Collateral management information to financial institutions, allowing them to ensure that they are registered on title for existing customers and enabling the securitisation of loans. • Allows financial institutions to make more informed products and customer decisions, enabling more effective customer service.
Governments	Example products: • Product to provide insights into intrastate and interstate migration. Benefits to governments: • Detailed migration trends across Australia can provide insights at a postcode level including the number or rate of people who move, the direction of flows, (for instance to understand whether downsizers are moving to or from particular areas) and the characteristics of the people and how these patterns vary by age. • Providing one off and regular research reports to government and industry on various aspects of buying, selling and settlement.

3.4.3.3 Progress achieved to date

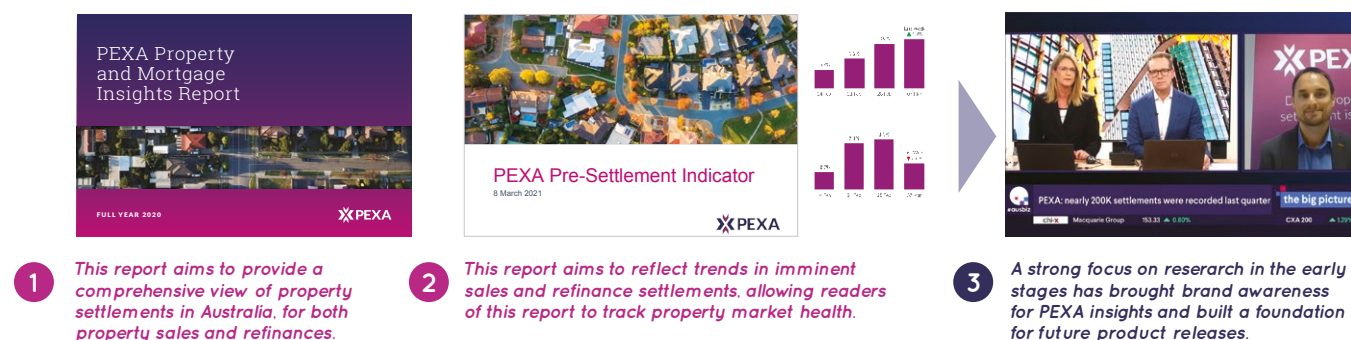
PEXA has commenced developing a Property Bureau, which is a foundational asset for PEXA Insights. The Property Bureau aims to bring together a range of datasets from a range of public and proprietary sources including the State/ Territory cadastres, valuer general offices and other third parties into a format in which these different datasets can be linked and analysed by PEXA's data specialists. Subject to obtaining the required regulatory approvals, information sourced from the PEXA Exchange could also be included in the Property Bureau to enrich these datasets.

PEXA Insights has established a team of 32 employees, including data professionals and specialists, to build the Property Bureau and develop and deliver a range of products and services. To help establish a market presence for the PEXA Insights services, PEAL has published over 200 individual research reports to date.

PEXA, and in particular PEAL, may require approval from various parties in order to use, disclose or offer data in any products or services that it develops. The scope of such approvals may depend on what data fields will be utilised in any given product or service, and such data may include Registry data, Subscriber data and/or Personal data (as outlined in Section 3.4.5.1). To the extent PEXA Insights seeks to develop services or products that utilise land information (being information provided by a Land Titles Office or information used to complete electronic documents to be lodged at a Land Titles Office), PEAL will need to seek Registrar approval to disclose such land information to PEXA Insights. As at the date of this Prospectus, PEAL has not yet sought approvals to disclose such land information to PEXA Insights.

PEAL has sought some approvals for the use of land information from the Registrars in respect of some of its products on a case-by-case basis under the existing regulatory framework, noting PEAL has experienced some procedural inefficiencies in obtaining such approvals. To this end, PEAL is developing a proposal for the Registrars to introduce a more efficient framework for regulatory approvals regarding the use of land information in ancillary non-core conveyancing services, which it intends to workshop with the Registrars in the short term.

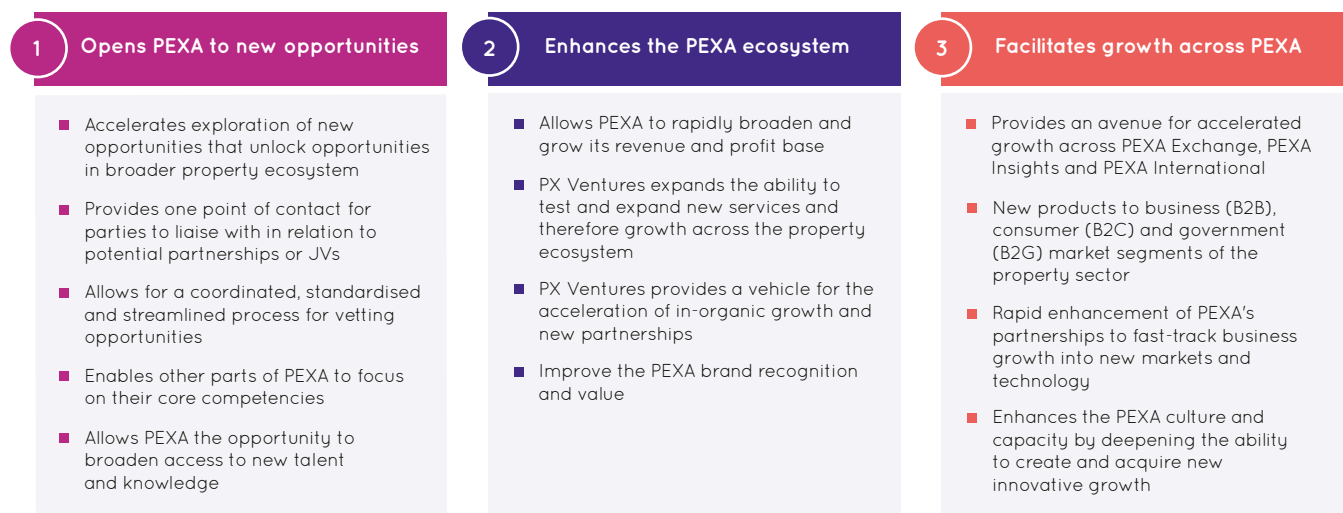
Figure 33: Examples of PEXA Insights research reports



3.4.4. PX Ventures

PX Ventures aims to build on PEXA's digital and industry experience, innovative and entrepreneurial culture, access to data and established relationships to develop new business opportunities with partners for consumers, businesses and governments across the property sector. While PX Ventures will pursue new business opportunities, part of the purpose of PX Ventures is to enrich PEXA's business by enhancing its ability to facilitate product development and growth across PEXA and improving brand recognition and value in the property sector.

Figure 34: Overview of PX Ventures potential benefits



PX Ventures seeks opportunities to develop additional products and services for participants in the property industry. PEXA considers these opportunities may be relevant for business, consumer and government customers as illustrated in Figure 35, with PEXA actively considering strategies for PX Ventures to capitalise on these opportunities including with investment, partnerships, joint ventures, mergers and acquisitions.

These products and services include both products and services that PEXA or a PX Ventures business or partner would provide directly as well as products and services that would be provided by a third party service provider where PEXA or PX Ventures may earn a commission or fee for referrals by acting as a “marketplace”. Where these opportunities are pursued through a joint venture, investment or other partnership in the future, such fees and services will not accrue directly to PEXA but to the entity that pursues the opportunity, so any benefit to PEXA will be only indirect and accordingly, no revenues are assumed from these opportunities in the future.

Figure 35: Illustrative PX Ventures products and services

Customer type	Description
Business customers (B2B)	Example products and services - Property administration solutions: - Provide property settlement administration services to more than 9,400 PEXA practitioner firms and smaller financial institutions. - Seeks to deliver efficiencies by reducing administrative burden on practitioner firms and financial institutions by providing an outsourced solution. - Business Advantage - Value-added services provided to small/medium sized businesses, commencing with PEXA Exchange Subscribers and participants in the property ecosystem.
Consumer customers (B2C)	Example products and services In partnership with other market players, developing a platform to offer digital products and services to buyers and sellers relating to all aspects of the property ownership lifecycle (such as pre purchase due diligence, insurance, property taxation services, utilities connection services and moving services).

Further to the B2B and B2C offerings, PEXA will explore B2G (Business-to-Government) opportunities with the Federal, State and local governments, contracting into government on transaction and registry process improvement and delivery services.

PEXA has experience working with government as a trusted party delivering transformation across many stakeholders. With hundreds of local councils across Australia and large-scale registries at the State and Federal level, there may be an opportunity to provide valuable expertise to governments in further transformation.

3.4.4.1 Partnership roadmap and PX Launchpad

PX Ventures aims to develop new technologies and services in conjunction with a range of potential partners. PEXA is a potentially attractive partner to other participants in the property sector, and PEXA has received approaches regarding new product and partnership opportunities. PEXA has already established 11 partnerships with universities, innovation accelerators and companies in order to deliver B2B and B2C opportunities. In May 2021, PX Ventures launched PX Launchpad, which will provide acceleration services including advice and coaching, professional services and access to networks to start-ups that PX Ventures believes can significantly transform the experience of Australian consumers, businesses or government departments involved in the property sector.

3.4.5. Regulatory considerations

3.4.5.1 Regulatory framework around PEXA Insights

The application of the legal and regulatory framework for the use of data that PEAL holds is evolving. PEXA Insights may require approval from various parties to use or offer data in certain products and services that it develops. For example:

- Registry data: PEAL is required to seek the approval of the relevant Registrar if it uses or discloses data that is (or is substantially based on) land information provided by the Land Titles Office to complete registry instruments or electronic documents to be lodged at the relevant Land Titles Office, including for certain services outside of core conveyancing transactions;
- Subscriber data: Participation Agreements with financial institutions and practitioner firms include restrictions on the use of transaction data entered into the PEXA Workspace; and
- Personal data: The Privacy Act 1988 (Cth) and equivalent State and Territory privacy laws restrict the use and disclosure of personal information.

PEAL is also required to comply with the Model Operating Requirements relating to operational and structural separation in respect of the offer or provision of downstream or upstream services, which PEXA will take into account in providing data products and services.

The rules that govern some of that data (particularly the Electronic Conveyancing National Law, the Model Operating Requirements, and PEAL's operating arrangements with the Registrars of New South Wales, Victoria, Western Australia and South Australia, which govern Registry data), continue to develop. PEAL is therefore actively involved with key stakeholders to shape these developments. As part of this plan, PEAL engages:

- Government: demonstrating the value and benefit of open data for industry, governments and the wider community;
- Commercial: licensing third party data and developing joint products with Land Titles Offices; and
- Regulatory: engaging with regulators and other industry participants to develop an agreed framework to streamline the approval process.

Separately, to the extent PEXA Insights provides a service that constitutes a downstream or upstream service for the purposes of the Model Operating Requirements, PEAL will also need to develop a separation plan that will need to be reviewed by an independent expert prior to being published.

PEXA Insights intends to develop products and services that work within the current legal and regulatory framework through a combination of product design, seeking approvals and partnerships with relevant stakeholders to commercialise data.

3.4.5.2 Regulatory framework around PX Ventures

The Model Operating Requirements require that an ELNO establish either operational or structural separation in respect of downstream or upstream services, being any services that directly or indirectly access or use an electronic lodgment network, integrate with an electronic lodgment network or utilise information accessible through or generated by an electronic lodgment network. ELNOs are also required to prepare, publish, implement and keep current a separation plan outlining how they will comply with these obligations.

In April 2021, PEXA established PX Ventures as a separate company. PEXA is in the process of developing a separation plan for PX Ventures (noting that to be effective for regulatory purposes, any separation plan will need to be reviewed by an independent expert prior to being published and implemented).

Once the plan is in place, PEXA will be subject to regulatory obligations including not to be involved in PX Ventures' operations or provide it with an unfair commercial advantage.

3.5. PEXA operations

3.5.1. Organisational overview

As at March 2021, 312 of PEXA's 361 staff were based in Victoria at PEXA headquarters located at 727 Collins Street, Docklands, Melbourne. The remainder of PEXA's staff located in jurisdictions other than Victoria are predominantly focused on subscriber support or PEXA Insights.

Figure 36 and Figure 37 illustrate the location and number and growth of PEXA employees. In addition, as at March 2021, PEXA has 16 team members supporting international expansion (four team members³⁷ in the UK, including a UK CEO, and 12 in Australia).

Figure 36: Australian headcount by jurisdiction

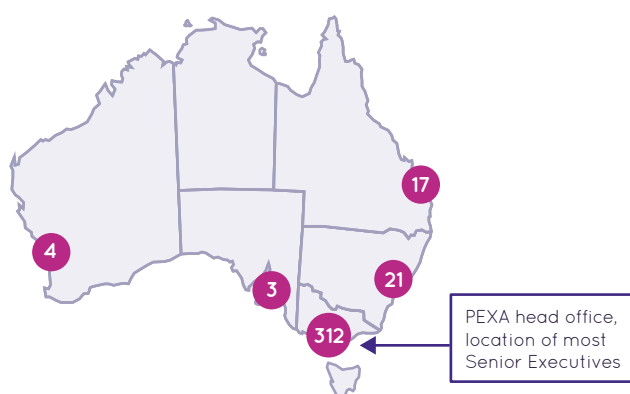
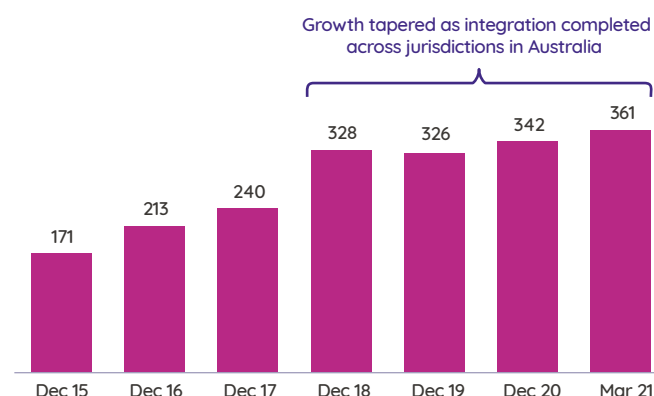


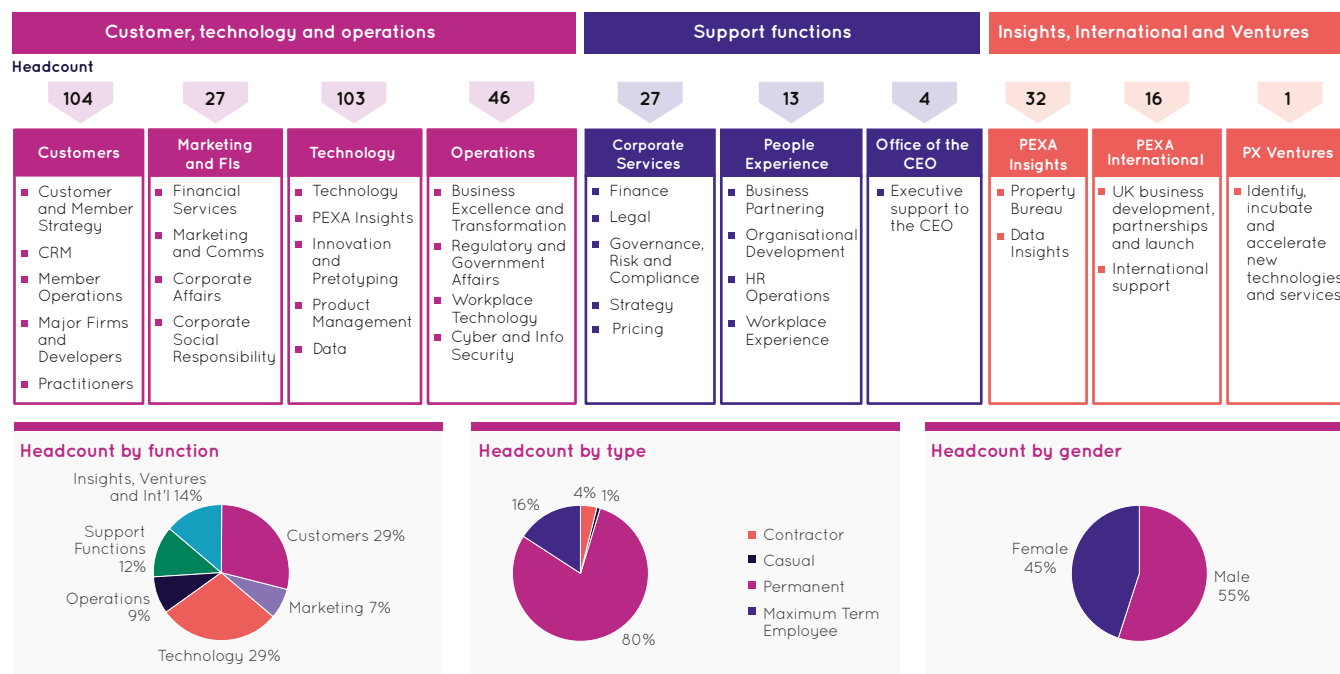
Figure 37: PEXA headcount over time



37. UK headcount was contract roles as at March 2021.

PEXA does not have any collective bargaining agreements in place. *The Clerks – Private Sector Award 2010* applies to employees performing administrative roles covered by the award. All employees are on individual employment contracts. As at March 2021, the total of PEXA's 361 staff by employment type was split as follows:

Figure 38: PEXA's workforce overview^{38, 39, 40}



PEXA has been recognised by numerous industry awards for workplace culture and innovation:



Part of PEXA's ongoing success relates to employee diversity and inclusion. Most notably, the current gender representation is 45% female and 55% male. PEXA actively focuses on diversity and inclusion through initiatives and policies in partnership with the Diversity and Inclusion Committee.

38. Headcount as at March 2021.

39. Maximum Term Employee is defined as an employee on a contract with an end date.

40. UK headcount was contract roles as at March 2021 which includes four team members in the UK, including a UK CEO, and 12 in Australia.

3.6. Information technology

3.6.1. IT environment overview

PEXA has collaboration, security, lodgement and settlement functionality that is proven in delivering the core requirements of digital property settlements and has a capability to deliver adjacent products and services to efficiently and securely run the PEXA business. PEXA has a range of capabilities, spanning enterprise architecture, cyber security, software design and development, and infrastructure engineering that support the PEXA Exchange, Exchange customer tools, and business support systems.

3.6.1.1 Application Architecture

The PEXA Exchange is a Java Enterprise Application (Java version 11) running on a JBOSS/WildFly application server. It has been developed on the Spring MVC pattern and utilises Hibernate object-relational mapping (ORM) for data access. The PEXA Exchange platform application contains all the logic, business rules and user interfaces. The PEXA Exchange architecture is based on a traditional three-tier application with distinct presentation, application processing and data tiers. However, these tiers are currently tightly coupled, requiring the application to be deployed as a whole. PEXA's API-First initiative will commence the process of splitting the application into more discrete services.

The PEXA Exchange facilitates external backend integration with Land Registries and State Revenue Offices, primarily through IBM WebSphere message broker. The current software stack is in the process of re-platforming to a cloud native architecture including the replacement of Message Broker with a non-proprietary messaging protocol. RESTful APIs also exist for process integration where external applications need to access PEXA Exchange functions. These are currently in use by practice management applications, financial institutions, PEXA Projects, PEXA Key and PEXA Plus.

IBM Sterling Connect is utilised for process integration with the COIN network, necessary for handling financial settlement with the Reserve Bank of Australia and between participating financial institutions.

The PEXA Exchange was custom developed internally in partnership with its strategic technology provider Accenture utilising personnel located in both Australia and the Philippines. Accenture continue to provide product development and application support services under a recently renewed Master Services Agreement.

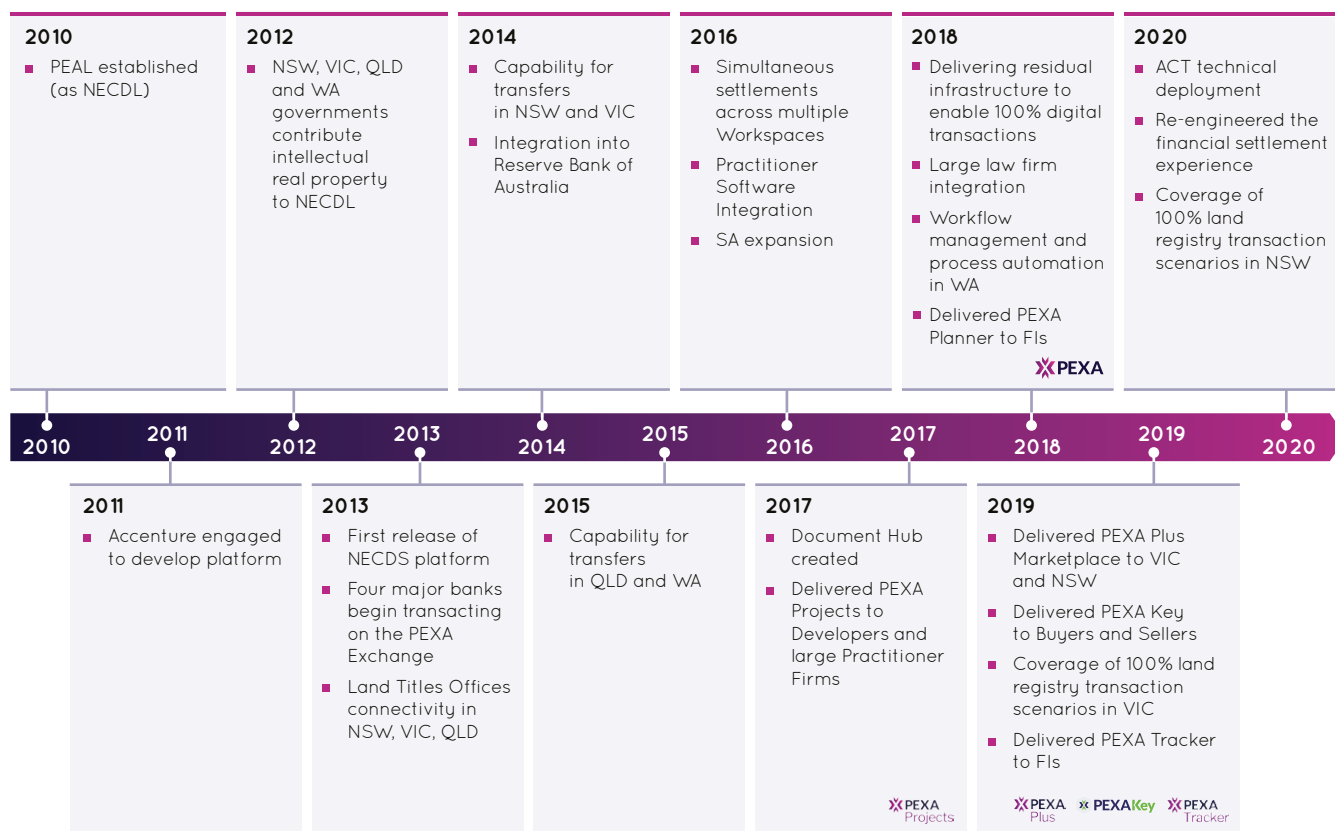
The PEXA Exchange customer tools are built independently of the PEXA Exchange and are not constrained by regulatory requirements to the same degree as the PEXA Exchange. These are all custom-built applications.

PEXA has selected business support systems vendors that have specialised software solutions. PEXA has a preference for cloud-based solutions in the procurement of its business support systems providing PEXA with access to flexible consumption based commercial models and the ability to focus on high value business initiatives, instead of platform and infrastructure management of business support systems. PEXA's primary business support systems are Microsoft Dynamics CRM, Microsoft Dynamics AX (Finance Management System), Office365 tools and ServiceNow (support). PEXA is currently in the process of implementing Salesforce CRM.

3.6.1.2 Infrastructure Architecture

The PEXA Exchange and customer tools are cloud-native platforms utilising computing resources from Amazon Web Services (AWS) residing in the Sydney region of Australia. Platform components are deployed across two isolated locations (Availability Zones) within the Sydney region.

Figure 39: PEXA Exchange key IT milestones



3.6.2. Connectivity with external parties

For the PEXA Exchange, connections continue to be built to interface partners through backend integrations with conveyancing software providers, Land Titles Offices, State Revenue Offices, financial institutions, the Reserve Bank of Australia and certificate authorities. There are two main types of integration with external parties:

- Backend integration to support lodgement and settlement transaction execution. These integrations are interfaces to connect with the Land Registries for lodgement services, Revenue Offices for stamp duty processing and financial institutions and the Reserve Bank of Australia for payment processing enabled through a variety of technologies depending on the integrating party.
- Process integration to support Subscribers interacting digitally with the PEXA Exchange directly from their proprietary systems or the practice management systems they use within their businesses. These integrations are made up of a combination of APIs, file upload services and quick access (deep) links between PEXA Exchange applications and practice management software applications; proprietary property developer, conveyancer and law firm backend systems; and financial institutions.

PEXA has dedicated API development and support teams that build, extend and maintain a catalogue of secure collaborative interfaces to grow the scale and reach of the PEXA Exchange.

3.6.3. Platform reliability and security

The PEXA Exchange has been built to be scalable, resilient and secure, with a strategy in place to secure the PEXA Exchange data which is supported by a dedicated team of cyber security experts and several annual independent reviews.

3.6.3.1 Reliable and available platform

The PEXA Exchange has a track record of delivering close to 100% platform service availability to its customers. The PEXA Exchange is supported by a number of partners including Amazon Web Services and Accenture. These partnerships have so far proven to be robust and assist PEAL in delivering settlements in the event of some third party system outages⁴¹.

The Model Operating Requirements require that the platform service is available to subscribers 24 hours a day and 7 days a week (other than for scheduled maintenance). System reliability is also measured as availability of not less than 99.8% during core hours and 99.7% during non-core hours.⁴²

The average system responsiveness time taken to respond to a user-initiated request in 2020 was less than one second⁴³, which demonstrates at a point in time the efficiency of the software and infrastructure. This compares to the Model Operating Requirement of less than three seconds average responsiveness.

During COVID-19, PEAL has delivered high levels of platform service availability to its customers, including through periods of government lockdowns and staff transitioning to working from home and during rapid growth in digital property settlements particularly in States that had only just begun the digital property settlements pre COVID-19 (Queensland and South Australia). PEXA publishes a report each month on availability and reliability metrics at www.pexa.com.au/pexa-dashboard.

3.6.3.2 Approach to security

A dedicated Chief Information Security Officer leads a team of 11 cyber security experts within PEXA who provide information security and threat intelligence support, including internal testing and auditing. PEXA is highly engaged with government and other external bodies regarding cyber security.

This security approach extends beyond the security of its own platform, including having a dedicated team in place, undertaking regular external and internal reviews, and utilising several expert partnerships.

The PEXA Exchange has security systems and internal audit procedures in place to identify possible attack vectors. PEXA has been able to assist financial institutions with misdirected funds, as processes have been developed that enable it to provide prompt assistance to financial institutions to resolve these situations. PEXA equips customers with the tools and education to reduce the risk and potential impact of their systems being compromised (for example, including multi-factor authentication). The PEXA Residential Seller Guarantee allows sellers to transact with confidence given protection in the event of certain kinds of fraud.

3.6.4. Intellectual property

The main intellectual property rights relating to PEXA's business activities are copyright, trademarks and IP licences relating to the PEXA Exchange.

3.6.4.1 Copyright

A large portion of the technical delivery work involved in developing the PEXA Exchange was completed by third parties under various agreements. All present and future intellectual property rights in the PEXA Exchange software and applications developed by third parties have been assigned to PEXA pursuant to these agreements.

Intellectual property developed by in-house employees is assigned to PEXA pursuant to relevant contractor and employment terms.

41. Providing transaction pre-conditions are met.

42. Core hours are 6am to 10pm AEST/AEDT (as applicable) during a business day in the relevant State or Territory and non-core hours are hours outside of core hours.

43. Annual (calendar year) simple average of monthly responsiveness.

3.6.4.2 Trademarks

PEXA owns seven trademarks in Australia. The trademark portfolio mainly revolves around the “PEXA” brand and logo.

PEXA has also lodged applications for UK trademarks over the word “PEXA” and the PEXA logo.

3.6.4.3 PEXA Exchange State IP

As part of the ownership transition of certain elements of intellectual property relating to electronic conveyancing from the various State stakeholders to PEAL, New South Wales and Victoria entered into assignment arrangements with PEAL to assign their rights, and Queensland entered into a perpetual licence with PEAL to licence its rights, in certain intellectual property (including patents) relating to the PEXA Exchange (**State IP**). In the case of the assignments PEAL also granted perpetual and royalty-free licences-back to the relevant States. PEAL has confirmed that the State IP has been incorporated into the current NECDS. See Section 2.6.3 for information on the NECDS being made available for all ELNOs to interface with the Land Titles Offices on an equivalent basis.

3.6.5. Risk mitigation

Figure 40 outlines some of the information security risk mitigation procedures employed by PEAL.

Figure 40: Risk mitigation procedures

Procedure	Initiatives
Specialist IT team	• A dedicated Chief Information Security Officer leads a team of 11 experts who provide PEXA's information security, forensics, threat intelligence and analytics functions. • Provides thought leadership to the digital property settlements community. • In-house and external security penetration expertise in place. • Development and deployment of fraud detection services at a national level including multi-factor authentication with behavioural analysis and biometrics.
Staff procedures	• Mandatory staff awareness training. • Background checks as part of recruitment process. • IT usage policies and standards in place and maintained.
Dedication to enhancing the IT infrastructure environment	• Reputable security systems in place. • Apply principles of data encryption at rest and in transit. • Follow best practice in regard to AWS principles of “Well-Architected” systems. • Active patching and cyber awareness activities in place. • Established information risk management standards.
Monitoring and testing	• Continuous monitoring and activity logging on the PEXA Exchange. • Periodic penetration testing by internal resources and external security providers. • Regular network and vulnerability scanning. • Regular compliance audits.
Back-up procedures in the event of third party system outage	• PEXA has implemented procedures to ensure settlement occurs despite third party system outages • In the event that the Land Titles Office or State Revenue Office systems are unavailable where possible the PEXA Exchange is designed to settle and re-attempt lodgement at regular intervals. Any manual dealings that have occurred since the last title activity check are covered by Lodgement Gap Cover.

3.7. Risk management framework

PEXA considers effective risk and compliance obligations management to be a critical enabler of its business and a core element of the culture. PEXA has developed and implemented a risk management framework that aligns with Australian and international standards⁴⁴.

As part of its risk management framework, PEXA reviews and updates its strategic risks, operational risks, compliance risks and regulatory risks on a regular basis. Key changes to the risk environment are tabled and discussed at management's Risk and Compliance Committee and at the Board Risk Management and Audit Committee which meets on a quarterly basis. Controls are established to manage risk and compliance obligations at the business unit level. The effectiveness of controls is monitored on a periodic basis via a control attestation program where control operators confirm the effectiveness of the design and operation of their respective control(s). This complements the ongoing internal and external audit, review and assessment activities captured in Sections 3.7.2 to 3.7.4 below.

3.7.1. Insurance

PEXA has a range of insurance policies covering relevant aspects of its business operations, including cover for physical loss or damage to real and personal property, liability to third parties for personal injury and/or property damage, technology and cyber enterprise risks, professional indemnity and public liability, crime, including computer fraud and funds transfer fraud, employment practices liability, Directors and officers liability, and lodgement gap cover (which covers liability to customers arising from intervening registration and priority during the lodgement period while using the PEXA Exchange).

PEXA's insurance policies carry deductibles and limits (and certain exclusions) which apply in the event of a claim. PEXA currently maintains public liability and professional indemnity insurance that meets or exceeds the level required by ARNECC. To date, PEXA has not made any claims under its lodgement gap policy and may consider self-insurance in the future. See Section 5.2.4.11 for a discussion of risks relating to the availability of insurance.

3.7.2. Annual regulatory requirements

As part of its ongoing approval to operate the PEXA Exchange, PEAL is required by ARNECC to establish, implement, operate, monitor, review, maintain and keep current the following:

- a Risk Management Framework to enable the identification, mitigation and management of risks in its operation of the electronic lodgment network;
- an Information Security Management System in relation to PEAL's operations to ensure the security of the electronic lodgment network; and
- a Business Continuity and Disaster Recovery Management Program to ensure that in the event of an Incident, PEAL can continue to provide and operate the electronic lodgment network, or so that disruption to the provision of or operation of the electronic lodgment network will be minimised.

An independent expert review is conducted annually to confirm that PEXA's Risk Management Framework, Information Security Management System and Business Continuity and Disaster Recovery Management Program are 'fit for purpose'. The 'fit for purpose' reviews assess whether PEXA has:

- adopted a standard that is appropriate for the operation of the PEXA Exchange in accordance with the Operating Requirements;
- developed frameworks that are in accordance with the adopted standards and which achieve the underlying objectives of those standards; and
- implemented all of the necessary processes and procedures that align with the adopted standard.

This review is currently performed by PwC and the results reported to ARNECC.

See further information in Section 10.10.2.3.

44. The International Standard for Risk Management ISO 31000:2018 and the Australian Standard for Compliance, AS ISO 19600:2015 Compliance Management Systems.

3.7.3. Annual financial institution contractual requirements

In parallel with the Information Security Management System review, PwC also conducts a review of PEXA's alignment with the American Institute of Certified Public Accountants' (AICPA) Trust Services Criteria in relation to security and availability, via a SOC type 2 engagement. Outcomes of this review are shared with financial institutions upon request.

3.7.4. Internal and external audit and reviews

PEXA undertakes extensive internal and external assurance activities to meet regulatory obligations, contractual requirements with network subscribers and internal governance requirements. The Risk Management Framework is implemented to guide and inform decision making and establishes clear expectations for managing risk aligned to risk appetite. Board oversight of the framework is the responsibility of the Risk Management and Audit Committee and PEXA employees are to adhere to the framework guidelines.

3.7.4.1 Internal audits and reviews

PEXA uses an external internal audit provider, Protiviti, which works independently and in consultation with management to create a multi-year internal audit plan. Audits included in the internal audit plan are generally selected on the basis that they represent higher risk business processes that may impact customer experiences, operational effectiveness and the trusted reputation of the PEXA Exchange. The internal audit plan also considers the alignment of activities with PEXA's external audit, reviews and assessments.

3.7.4.2 External audits and reviews

PEXA external audits and reviews are summarised in Figure 41 below.

Figure 41: External audits and reviews overview

Engagement with regulators	
ARNECC fit-for-purpose assessment	• Certification by an independent expert of whether PEAL's risk, security and business continuity frameworks are fit-for-purpose in accordance with the ARNECC MOR. • The assessment covers PEAL's Risk Management Framework, Information Security Management System and Business Continuity and Disaster Recovery Management System.
ARNECC security vulnerability assessment and penetration test	• Security vulnerability assessment and penetration test of systems and networks that store or process land information.
Gatekeeper IRAP Audit	• Audit by IRAP assessor of PEAL's certification authority and registration authority environment. The assessor certifies whether PEAL is compliant with the Gatekeeper PKI Framework, as set out by the Australian Government's Digital Transformation Agency.
Settlement systems review – ASIC relief	• PEAL operates under the provisions of ASIC Instrument 20-0584 with respect to certain exemptions from holding an Australian Financial Services Licence. To satisfy these provisions, PEAL commissions an independent review to examine whether the PEAL systems required to complete financial settlement are fit-for-purpose and adequately manage risks and liabilities involved with incorrect payments and fraudulent payments.

Participation agreements with financial institutions	
Security Penetration Test: PEXA Exchange	For each major release, PEAL engages an external party to perform a security penetration test of enhancements and new functionality that will be deployed into production.
SOC2 Audit	To satisfy requirements of financial institution partners, PEAL engaged an independent auditor to test a common set of controls covering cyber security and availability. The controls are tested against the ASAE3150 standard.
Third party audits and reviews	
Financial and non-financial audits	- Financial statement audits of Torrens Group Holdings Pty Ltd and PEAL performed by Ernst & Young. - Non-financial audits for external purposes (regulatory and contractual).
Security framework benchmarking	Benchmark PEAL's current security systems, controls and procedures against globally recognised cyber frameworks.

3.8. Regulatory and other stakeholder relationships

PEXA's collaboration with industry stakeholders has supported its success to date. Ultimately, transformation of the industry depends not only on technology but also on alignment with and support from industry participants. This is critical both for the PEXA Exchange and in pursuing its growth initiatives.

PEXA regularly engages with regulators and government stakeholders, including in relation to the development of interoperability and the regulatory framework that supports e-conveyancing. Drawing on its unique understanding of the technical specifications and regulatory framework that supports e-conveyancing, PEXA has made submissions in relation to underdeveloped regulatory and market structure proposals (including the earlier conceptual models of interoperability) with a view to ensuring electronic conveyancing continues to deliver benefits to industry stakeholders.

PEXA will continue to appropriately collaborate with industry stakeholders via effective and consistent communication and engagement. PEXA's approach is to adopt open lines of communication and regular interaction and to be available to the industry as required.

3.8.1. Key stakeholders in the Australian market

Key stakeholder groups and PEXA's interactions in relation to these groups are set out below:

- ARNECC and its members, the Registrars in each jurisdiction of Australia – In addition to the regulatory requirement to provide annual compliance submissions to ARNECC, PEXA has a regular feedback and communication channel with ARNECC and each of the Registrars;
- Land Titles Offices and State Revenue Offices – PEXA is in frequent and proactive communication with these authorities on matters such as the process of transition, industry support, technology integration approach, system enhancements and user feedback;
- Australian Competition and Consumer Commission (ACCC), including interaction in relation to regulatory, competition law and compliance issues, the ongoing development of interoperability, and historically when PEAL was created, when banks were brought on as Shareholders and when Link Group and Namarong became investors;

- Subscriber regulators, such as law societies (including the trust account regulator function) – PEXA's interaction level can vary from time to time. For instance, where PEXA is launching in a jurisdiction, or is seeking input on product design, engagement may be more frequent. At other times, PEXA's interaction is less frequent and engagement is ad hoc based on requirements. More significant engagement is taken prior to launching in a jurisdiction to ensure trust account regulators are familiar with the PEXA solution and reporting that PEXA produces to support practitioner firm compliance with trust accounting obligations;
- Peak bodies/subscriber representative bodies, such as Australian Institute of Conveyancers, law societies and real estate institutes across Australia – PEXA is in frequent and pro-active communication with these representative bodies to support subscribers, with more significant engagement prior to each transition date to support industry readiness;
- Reserve Bank of Australia (RBA) – The Reserve Bank of Australia is the central bank of Australia and the regulator of the Reserve Bank Information and Transfer System (RITS), which PEXA has chosen to use for the financial settlement process associated with electronic conveyancing (as PEAL is a batch administrator authorised to send property batches to the RITS). The Reserve Bank of Australia requires PEAL to inform it of changes to its settlement processes. PEAL has entered into contractual arrangements with the Reserve Bank of Australia that incorporate and require PEAL to comply with the RITS Regulations. PEAL meets with Reserve Bank of Australia's policy team on a quarterly basis;
- Australian Securities and Investments Commission (ASIC) – ASIC is the regulator responsible for payment systems and consumer protection. ASIC has granted relief to PEAL from Australian Financial Services Licensee requirements for the provision of settlement services associated with electronic conveyancing. Relief is subject to PEAL meeting conditions of its exemption, which includes certain provisions in its practitioner agreements responding to mistaken payments (such as when settlement funds are paid inadvertently to the wrong account) and requiring PEAL to obtain an annual independent certification that its settlement processes remain fit for purpose; and
- Financial institutions – PEXA is in frequent and proactive communication with these participants on matters such as industry support, e-conveyancing guidelines and technology integration approach. One such example is PEXA assisting financial institutions in helping them to comply with their Australian Prudential Regulation Authority (APRA) requirements in relation to outsourcing.

In addition to the above, PEXA regularly hosts industry events across Australia for Subscribers and other stakeholders.

3.8.2. Key stakeholders in the UK market

Key stakeholder groups and PEXA's interactions in relation to these groups include:

- Bank of England (BoE) – BoE regulates financial settlement in the UK market and PEXA has had good engagement to date. BoE has proposed an external testing window with PEXA for January 2022;
- Her Majesty's Land Registry (HMLR) – HMLR operates the central land register in England and Wales. HMLR has engaged with PEXA;
- Financial Conduct Authority (FCA) – FCA is the UK financial conduct regulator for financial services. To date there have been no formal conversations, however plans to commence engagement are under consideration; and
- Government Digital Service (GDS) – GDS is part of the Cabinet Office tasked with transforming the provision of online public services.

3.9. Environmental, social and corporate governance

PEXA's evolving environmental, social and corporate governance (**ESG**) framework has been externally tested and ranked in comparison to peers. PEXA's ESG framework considers environmental and governance factors alongside its social contribution. By virtue of digitisation, PEXA has successfully reduced the amount of paper used in the property settlement process and reduced the reliance on automobile travel to attend property settlements. Likewise, from a governance perspective, PEXA actively focuses on diversity and inclusion through initiatives and policies put in place by its Diversity and Inclusion Committee.

Figure 42: Environmental, social and corporate governance framework

Initiative	Framework
Environmental	• Establishing processes to achieve energy management targets. • Reducing PEXA's carbon footprint. • As an office tenant of Collins Square, PEXA adheres to the current waste management plan and assists Collins Square in achieving its waste and recycling objectives.
Social	• Building and maintaining strategic community partnerships. • The PEXA Diversity and Inclusion (D&I) Committee assists the business in creating an inclusive culture in which D&I values are recognised and valued. • PEXA partners with Homes for Homes in the creation of sustainable housing nationally. This occurs in two ways: • providing the technical capability for vendors to make donations directly to Homes for Homes at settlement via the PEXA Exchange; and • through the provision of grant funding to support the build of additional, sustainable housing. • PEXA also recognises key national and international days. PEXA's internal events calendar covers a variety of topics including cultural and linguistic background.
Governance	• Upholding business ethics by ensuring policies are in place to effectively maintain enterprise risk management, privacy and confidentiality: • Performance conduct and anti-discrimination policy. • Equal opportunity policy, including gender equality and recruitment practices. • Modern slavery policy. • Published privacy policy.

4

Financial Information

4.1. Introduction

The financial information contained in Section 4 includes historical financial information for the financial years ended 30 June 2018 (**FY18**), 30 June 2019 (**FY19**) and 30 June 2020 (**FY20**) and for the half years ended 31 December 2019 (**1H FY20**) and 31 December 2020 (**1H FY21**), together with the forecast financial information for the financial years ending 30 June 2021 (**FY21**) and 30 June 2022 (**FY22**).

Torrens Group Holdings Pty Ltd was incorporated on 4 October 2018 and was effectively dormant until 16 January 2019. On 16 January 2019, Torrens Group Holdings Pty Ltd acquired 100% of Property Exchange Australia Limited (**PEAL**) (the **PEXA Acquisition**). As a result of the PEXA Acquisition, PEAL became a wholly owned subsidiary of Torrens Group Holdings Pty Ltd and is the entity that owns and operates the PEXA business.

Torrens Group Holdings Pty Ltd was converted to a public company on 11 June 2021 and renamed Torrens Group Holdings Limited. Torrens Group Holdings Limited will change its name to PEXA Group Limited.

Figure 43: Overview of Financial Information

	Statutory Financial Information	Pro Forma Financial Information
Historical Financial Information	Statutory Historical Financial Information of Torrens Group Holdings Pty Ltd comprises the: - statutory historical consolidated income statements for FY19¹, FY20, 1H FY20 and 1H FY21 (Statutory Historical Income Statements); - statutory historical consolidated cash flows for FY19¹, FY20, 1H FY20 and 1H FY21 (Statutory Historical Cash Flows); and - statutory historical consolidated statement of financial position as at 31 December 2020 (Statutory Historical Statement of Financial Position) (together, Statutory Historical Financial Information).	Pro Forma Historical Financial Information of PEXA comprises the: - pro forma historical consolidated income statements for FY18, FY19, FY20, 1H FY20 and 1H FY21 (Pro Forma Historical Income Statements); - pro forma historical consolidated cash flows for FY18, FY19, FY20, 1H FY20 and 1H FY21 (Pro Forma Historical Cash Flows); and - pro forma historical consolidated statement of financial position as at 31 December 2020 (Pro Forma Historical Statement of Financial Position) (together, Pro Forma Historical Financial Information).
Forecast Financial Information	Statutory Forecast Financial Information of PEXA comprises the: - statutory forecast consolidated income statements for FY21 and FY22 (Statutory Forecast Income Statements); and - statutory forecast consolidated cash flows for FY21 and FY22 (Statutory Forecast Cash Flows) (together, Statutory Forecast Financial Information).	Pro Forma Forecast Financial Information of PEXA comprises the: - pro forma forecast consolidated income statements for FY21 and FY22 (Pro Forma Forecast Income Statements); and - pro forma forecast consolidated cash flows for FY21 and FY22 (Pro Forma Forecast Cash Flows) (together, Pro Forma Forecast Financial Information).

1. Because Torrens Group Holdings Pty Ltd was incorporated on 4 October 2018 and dormant until 16 January 2019, the Statutory Historical Financial Information for FY19 reflects the period from 16 January 2019 through to 30 June 2019.

The Statutory Historical Financial Information and the Pro Forma Historical Financial Information are together referred to as the **Historical Financial Information** and the Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information are together referred to as the **Forecast Financial Information**. The Historical Financial Information and Forecast Financial Information are together referred to as the **Financial Information**.

In addition, the following historical financial information for PEAL has been included in Appendix A:

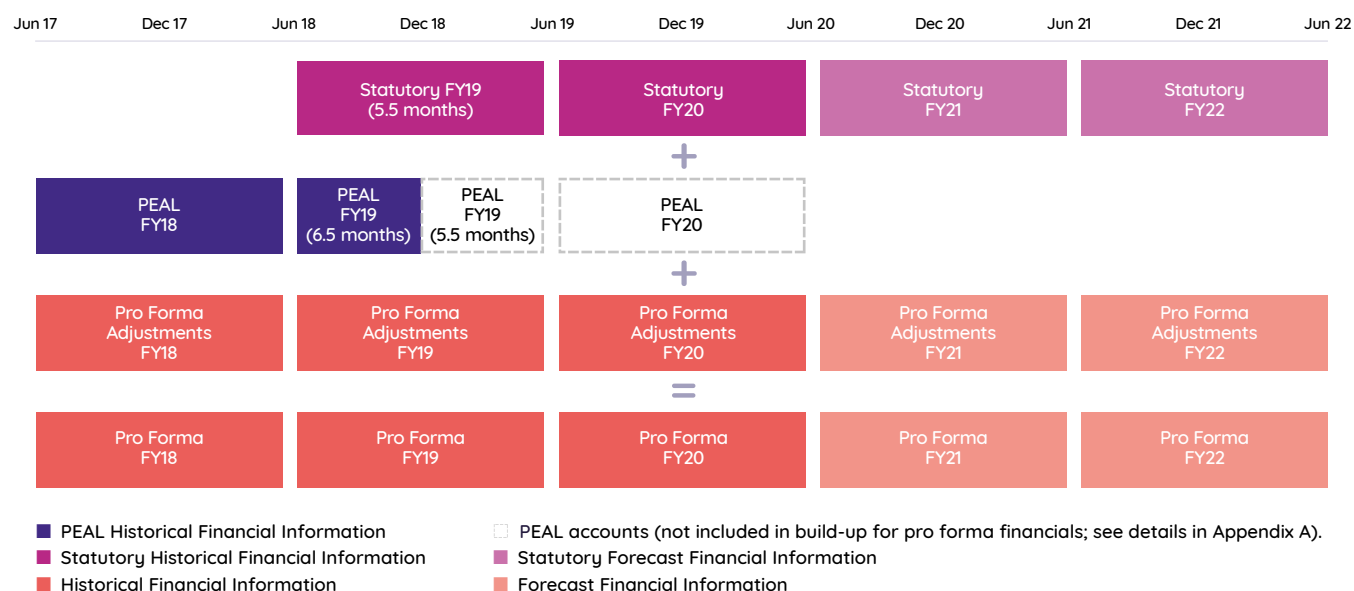
- historical consolidated income statements for FY18 and FY19 (PEAL Historical Income Statements); and
- historical consolidated cash flows for FY18 and FY19 (PEAL Historical Cash Flows),

(together, **PEAL Historical Financial Information**).

The Statutory Historical Financial Information is derived from the financial statements of Torrens Group Holdings Pty Ltd, which became active on 16 January 2019 with the completion on that date of the PEXA Acquisition. Because Torrens Group Holdings Pty Ltd was incorporated on 4 October 2018 and dormant until 16 January 2019, there is no Statutory Historical Financial Information for FY18 and the Statutory Historical Financial Information for FY19 reflects the results of Torrens Group Holdings Pty Ltd for the period from 16 January 2019 through to 30 June 2019. The Pro Forma Historical Financial Information for FY19 reflects the results of Torrens Group Holdings Pty Ltd for the full 12 months of FY19.

The Financial Information (as defined in Section 4.1) has been reviewed by Ernst & Young Strategy and Transactions Limited, in accordance with the Australian Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*, as stated in its Independent Limited Assurance Report. Investors should note the scope and limitations of the Independent Limited Assurance Report (contained in Section 8).

Figure 44: Detailed build-up of Financial Information



Also summarised in Section 4 are:

- the basis of preparation and presentation of the Financial Information (refer to Section 4.2);
- information regarding certain non-IFRS financial and other measures (refer to Section 4.2.6);
- summary of project and other non-PEXA Exchange related costs in the Pro Forma Historical Income Statements and Pro Forma Forecast Income Statements and Statutory Historical Income Statements and Statutory Forecast Income Statements (refer to Sections 4.3.3 and 4.3.6);
- the pro forma adjustments to the Statutory Historical Financial Information and the Statutory Forecast Financial Information, and reconciliations of the Pro Forma Historical Financial Information and the Pro Forma Forecast Financial Information to the Statutory Historical Financial Information and the Statutory Forecast Financial Information, respectively (refer to Sections 4.3.7, 4.3.8, 4.4.1 and 4.5.3);
- summary of key pro forma and statutory operating and financial metrics (refer to Section 4.3.9);
- details of financial position, cash and cash equivalents and pro forma cash position at the assumed Completion date (refer to Section 4.4);
- information regarding liquidity, capital resources and indebtedness (refer to Sections 4.4.2 and 4.4.3);
- information regarding contractual obligations, commitments and contingent liabilities (refer to Section 4.4.4);
- qualitative disclosures about market risk (refer to Section 4.6);
- management's discussion and analysis of the Pro Forma Historical Financial Information (refer to Section 4.7);
- the Directors' best estimates of general and specific assumptions underlying the Forecast Financial Information (refer to Section 4.8);
- trading update containing information on PEXA's quarterly, half yearly and annual revenue and PEXA Exchange transactions for FY20 and FY21 (refer to Section 4.9);
- management's discussion and analysis of the Pro Forma Forecast Financial Information (refer to Section 4.10);
- an analysis of the sensitivity of the Pro Forma Forecast Financial Information to changes in certain key assumptions (refer to Section 4.11); and
- a summary of PEXA's proposed dividend policy (refer to Section 4.12).

The information in Section 4 should also be read in conjunction with the risk factors set out in Section 5 and the other information contained in this Prospectus.

All amounts disclosed in Section 4 and the Appendices are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest \$0.1 million. Some numerical figures included in this Prospectus have been subject to rounding adjustments. Any differences between totals and sums of components in figures or tables contained in this Prospectus are due to rounding.

4.2. Basis of preparation and presentation of the Financial Information

4.2.1. Overview and preparation and presentation of the Financial Information

The Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding the historical financial performance, cash flows and financial position of PEXA, together with the Forecast Financial Information. The Directors of PEXA are responsible for the preparation and presentation of the Financial Information.

The Financial Information has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The operations of PEXA are subject to risks due to the product development activities of PEXA and the risks inherent in the commercialisation of the PEXA Exchange. Whilst the Directors are aware of these risks, they are satisfied that the going concern basis remains appropriate based on the revenue and operating cash flows forecast from the increase in the number of Subscribers on the PEXA Exchange (comprising financial institutions and practitioners) and an expected increase in the transactions through the PEXA Exchange. Based on these trends and future forecasted cash flows, PEXA considers it has sufficient cash reserves to meet its current financial commitments for a period of greater than 12 months from the date of the Prospectus.

The Statutory Historical Financial Information, the Statutory Forecast Financial Information and the PEAL Historical Financial Information have been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards (AAS) issued by the Australian Accounting Standards Board (AASB), which are consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. PEXA's significant accounting policies are described in Appendix B.

The Pro Forma Financial Information has been prepared in accordance with the recognition and measurement principles of AAS other than it includes certain adjustments that have been prepared in a manner consistent with AAS, which reflect (a) the recognition of certain items in periods different from the applicable period under AAS; (b) the exclusion of certain transactions that occurred or are forecast to occur in the relevant periods; and (c) the impact of certain transactions as if they had occurred on or before 1 July 2017 in the Pro Forma Historical Financial Information or on or after 1 July 2020 in the Pro Forma Forecast Financial Information.

The Pro Forma Financial Information does not reflect the actual or prospective financial performance, financial position and cash flows of PEXA for the periods indicated. PEXA believes that it provides useful information as it permits investors to examine what it considers to be the underlying financial performance and cash flows of the business.

This Prospectus includes Forecast Financial Information based on a number of specific and general assumptions set out in Section 4.8.

The Financial Information is presented in an abbreviated form insofar as it does not include all the presentation and disclosures, statements or comparative information required by AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

In addition to the Financial Information, Section 4 describes certain non-IFRS financial and other measures that are used to manage and report on business performance that are not defined under or recognised by AAS or IFRS.

4.2.2. Segment information

PEXA has one operating segment, being the PEXA Exchange, which operates in the electronic conveyancing market. PEXA has other business activities outside of the PEXA Exchange, including expansion initiatives. However, these activities do not qualify for classification as independent segments under AASB 8 *Operating Segments* as at the last reporting date.

Although PEXA has one operating segment, it reports segment financial information, including PEXA Exchange EBITDA and PEXA Exchange EBITDA margin, as management believes that PEXA Exchange EBITDA and PEXA Exchange EBITDA margin better reflect the operating performance and cash generation potential of PEXA's core business prior to the impact of project and related expansion costs, non-PEXA Exchange related costs, the non-cash impact of depreciation and amortisation and interest and tax charges.

4.2.3. Accounting standards

The Statutory Historical Financial Information reflects application of AASB 16 *Leases* to transactions from 16 January 2019 (the date of completion of the PEXA Acquisition) and the Pro Forma Historical Financial Information reflects pro forma adjustments in FY18 and FY19 to apply AASB 16 *Leases* on a consistent basis across all periods presented.

The Statutory Historical Financial Information reflects the application of AASB 15 *Revenue from Contracts with Customers*, AASB 9 *Financial instruments* to transactions and AASB Interpretation 23 *Uncertain tax treatments* from 16 January 2019 (the date of completion of the PEXA Acquisition). No pro forma adjustments have been applied in FY18 and FY19 on the basis that the adoption of these standards and interpretation did not have a material impact on PEXA's financial information.

The Forecast Financial Information has been prepared on a consistent basis to the Historical Financial Information.

4.2.4. Preparation of Historical Financial Information

The Statutory Historical Financial Information has been derived from the consolidated financial statements of Torrens Group Holdings Pty Ltd for FY19 and FY20, which were re-issued on 21 May 2021 and the interim consolidated financial statements of Torrens Group Holdings Pty Ltd for 1H FY21 (which includes information for the 1H FY20 comparative period). Because Torrens Group Holdings Pty Ltd was incorporated on 4 October 2018 and dormant until 16 January 2019, the consolidated financial statements of Torrens Group Holdings Pty Ltd for FY19 reflect the results of the PEXA business for the period from 16 January 2019 to 30 June 2019. The consolidated financial statements of Torrens Group Holdings Pty Ltd for FY19 and FY20 have been audited by Ernst & Young in accordance with Australian Auditing Standards. Ernst & Young issued unqualified audit opinions on these financial statements and included an emphasis of matter that these consolidated financial statements were revised and re-issued. The interim consolidated financial statements of Torrens Group Holdings Pty Ltd for 1H FY21 have been reviewed by Ernst & Young in accordance with Auditing Standards on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Ernst & Young issued an unqualified review conclusion on these interim financial statements.

The PEAL Historical Financial Information has been derived from the general purpose consolidated financial statements of PEAL for FY19 (which includes information for the FY18 comparative period), which were re-issued on 21 May 2021. The consolidated financial statements of PEAL for FY19 have been audited by Ernst & Young in accordance with Australian Auditing Standards. Ernst & Young issued an unqualified audit opinion on these financial statements and included an emphasis of matter that these consolidated financial statements were revised and re-issued.

The consolidated financial statements of PEAL for FY19, Torrens Group Holdings Pty Ltd for FY19 and FY20 and the interim consolidated financial statements of Torrens Group Holdings Pty Ltd for 1H FY21 have been lodged with ASIC and are available at www.pexa.com.au/ipo.

The Pro Forma Historical Financial Information has been prepared for the purpose of inclusion in this Prospectus. The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information adjusted for the effects of the pro forma adjustments described in Sections 4.3.7, 4.3.8, 4.4.1 and 4.5.3 of this Prospectus. In particular, pro forma adjustments have been made to reflect the:

- completion of the PEXA Acquisition immediately prior to 1 July 2017, specifically:
 - the inclusion of PEAL's results for FY18 and the portion of FY19 prior to the PEXA Acquisition, derived from the PEAL Historical Financial Information;
 - the inclusion of consolidation adjustments which arose on completion of the PEXA Acquisition;
 - adjustments to reflect the impact on periods prior to the PEXA Acquisition of the change in useful life of in-house software (increased from five to 15 years) which occurred at completion of the PEXA Acquisition; and
 - the removal of transaction costs related to the PEXA Acquisition;

- impact of the Offer, based on an assumed offer size and assumed proceeds to PEXA of \$216.0 million, and including offer costs based on those assumptions;
- changes to PEXA's borrowings structure upon Completion of the Offer including the settlement of shareholder loans using the proceeds from the Offer, proceeds from external debt and the conversion of the remaining shareholder loan balance to equity;
- removal of the impact of the Employee Share Option Plan (ESOP) modification which occurred as a result of the PEXA Acquisition;
- removal of the impact of the accelerated vesting and close-out of the Management Equity Plan (MEP) which is expected to occur as a result of the Offer;
- introduction of AASB 16 Leases, in particular the income statement impact of the reclassification of rental expense to interest expense on lease liabilities and depreciation of a right of use asset, as if AASB 16 Leases had been adopted at 1 July 2017 and therefore applied throughout the periods presented; and
- addition of estimated incremental public company costs associated with PEXA being a listed company, including estimated board costs, insurance, listing, share registry, statutory and investor communication costs, as well as incremental audit, legal, tax and compliance costs.

Sections 4.3.7 and 4.3.8 set out the pro forma adjustments made to the Statutory Income Statements and a reconciliation of the Statutory Income Statements to the Pro Forma Historical Income Statements.

Section 4.4.1 sets out the pro forma adjustments made to the Statutory Historical Statement of Financial Position, and a reconciliation of the Statutory Historical Statement of Financial Position to the Pro Forma Historical Statement of Financial Position. Pro forma adjustments were made to the Statutory Historical Statement of Financial Position to reflect the impact of the Offer as if it had occurred as at 31 December 2020.

Section 4.5.3 sets out the pro forma adjustments made to the Statutory Historical Cash Flows and a reconciliation of the Statutory Historical Cash Flows to the Pro Forma Historical Cash Flows. Pro forma adjustments were made to the Statutory Historical Cash Flows to reflect the cash impact of the pro forma adjustments to the Statutory Historical Income Statements.

Investors should note that past results are not a guarantee of future performance.

4.2.5. Preparation of the Forecast Financial Information

The Forecast Financial Information has been prepared solely for inclusion in this Prospectus and is presented on both a statutory and pro forma basis.

The Forecast Financial Information has been prepared based on an assessment of current economic and operating conditions and on the Directors' best-estimate general and specific assumptions regarding future events and actions set out in Section 4.8.

The Statutory Forecast Financial Information represents the Directors' best estimates of the financial performance and cash flows that it expects to report in PEXA's consolidated financial statements for FY21 and FY22. The Forecast Financial Information for FY21 includes the actual results and cash flows for the 10 months to 30 April 2021 and forecast results and cash flows for May and June 2021 and also has regard to PEXA's current trading performance and cash flows up until the date of lodgement of this Prospectus. Refer to Section 4.9 for further information on PEXA's current trading performance.

The Pro Forma Forecast Financial Information represents the Directors' best estimates of the financial performance and cash flows prepared on the same basis as the Pro Forma Historical Financial Information. The Pro Forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information, with pro forma adjustments to reflect the:

- addition of estimated incremental public company costs associated with PEXA being a listed company, as described in Section 4.2.4, for FY21;
- removal of the Offer proceeds which are recognised in the Statutory Forecast Financial Information for FY22;
- removal of the impact of Offer costs which are recognised in the Statutory Forecast Financial Information for FY21 and FY22; and
- removal of the impact of the accelerated vesting and close-out of the MEP which is expected to occur as a result of the Offer.

Section 4.3.7 sets out a reconciliation of statutory forecast revenue, EBITDA and NPAT to pro forma forecast revenue, EBITDA and NPAT for FY21 and FY22. Section 4.5.3 sets out a reconciliation of statutory forecast free cash flow to pro forma forecast free cash flow for FY21 and FY22.

The Directors believe the general and specific assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus. The disclosure of these assumptions is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring and is not intended to be a representation that the assumptions will occur. However, the information is not fact, and investors are cautioned not to place undue reliance on the Forecast Financial Information. Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information and that this may have a material positive or negative effect on PEXA's actual financial performance, cash flows or financial position. In addition, the assumptions upon which the Forecast Financial Information is based are by their very nature subject to significant uncertainties and contingencies, many of which will be outside the control of PEXA, the Directors and management, and are not reliably predictable. In particular, the Forecast Financial Information is subject to the risk factors as set out in Section 5. Accordingly, none of PEXA, its Directors and management or any other person can give investors any assurance that the outcomes indicated by the Forecast Financial Information will occur. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

The Forecast Financial Information should be read in conjunction with the general and specific assumptions set out in Section 4.8, the sensitivity analysis described in Section 4.11, the risk factors described in Section 5, the significant accounting policies set out in Appendix B, and the other information in this Prospectus. PEXA does not intend to update or revise the Forecast Financial Information or other forward-looking statements or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law or regulation.

Due to its nature, the Forecast Financial Information does not purport to represent PEXA's actual financial performance or cash flows for the respective periods.

4.2.6. Explanation of certain non-IFRS financial and other measures

PEXA uses certain measures to manage and report on its business that are not recognised under AAS. These measures are collectively referred to in this Section 4 and under Regulatory Guide 230 *Disclosing Non-IFRS Financial Information* published by ASIC as “non-IFRS financial measures”. The principal non-IFRS financial measures and other measures that are referred to in this Prospectus are as follows:

Income statement information

- PEXA Exchange EBITDA is earnings or losses before interest, taxation, depreciation and amortisation and excluding certain project and other non-PEXA Exchange related costs. Management uses PEXA Exchange EBITDA to evaluate the operating performance of the core business prior to the impact of project and related expansion costs, other non-PEXA Exchange related costs, the non-cash impact of depreciation and amortisation and interest and tax charges. PEXA Exchange EBITDA margin, which is PEXA Exchange EBITDA expressed as a percentage of total revenue, is also presented. PEXA Exchange EBITDA and PEXA Exchange EBITDA margin can also be useful to help understand the cash generation potential of the core business. However, PEXA Exchange EBITDA and PEXA Exchange EBITDA margin should not be considered as an alternative to measures of cash flow under IFRS and investors should not consider PEXA Exchange EBITDA and PEXA Exchange EBITDA margin in isolation from, or as a substitute for, an analysis of the results of operations;
- EBITDA is earnings or losses before interest, tax, depreciation and amortisation. Management uses EBITDA to evaluate the operating performance of the business prior to the non-cash impact of depreciation and amortisation and interest and tax charges. However, EBITDA should not be considered as an alternative to measures of profitability or cash flow under IFRS and investors should not consider EBITDA in isolation from, or as a substitute for, an analysis of the results of operations;
- EBITA is earnings or losses before interest, taxation and amortisation related to acquired intangibles. The acquired intangible amortisation principally relates to the step-up in the value of Intellectual Property intangibles due to PEXA purchase price accounting for customer assets, brands and licences and amortisation of intangible asset balances arising from acquisition accounting such as in-house software assets that were acquired as part of the PEXA Acquisition. This measure includes the amortisation expense relating to capitalised internally developed software and acquired software integral to the ongoing operating performance of the business. EBITA can be useful to help understand the cash generation potential of the business allowing for investment in assets and software. However, PEXA believes that it should not be considered in isolation or as an alternative to measures of cash flow under IFRS;
- EBIT is earnings or losses before interest and taxation; and
- NPATA is the net profit or loss after tax and after adding back the tax-effected amortisation expense relating to acquired intangibles.

Statement of financial position information

- Net debt is gross debt less cash at bank.

Cash flow information

- Free cash flow is operating cash flow less capitalised development costs and other capital expenditure. Management uses free cash flow as a measure of the net cash PEXA generates before tax, interest and other investing cash flows;
- Working capital is trade and other receivables and other current assets less trade and other payables, accruals and other current liabilities; and
- Capital expenditure is a combination of capitalised development costs and other costs primarily related to property, plant and equipment. Capitalised development costs are related to significant enhancements to products that are expected to derive a future benefit to PEXA and are capitalised in accordance with AASB 138 Intangible Assets.

Key operating metrics

- PEXA Exchange transactions are transactions conducted on the PEXA Exchange for the period for which PEXA has received a fee.
- Market volumes represents the total number of national transactions that can be lodged electronically for the period in Australia.
- Market share represents PEXA Exchange transactions as a percentage of the market volumes.
- Average price is the average revenue excluding ancillary services per PEXA Exchange transaction, calculated as revenue excluding ancillary services for the period divided by the total number of PEXA Exchange Transactions for the period.
- Ancillary services revenue is the revenue derived by ancillary services including PEXA Plus, data services and a recharge associated with Members refreshing their Workspace with land registry information. Ancillary revenue operates in parallel with PEXA Exchange and adds value to Members using these services.

Although PEXA believes that these measures provide useful information about the financial performance of the business, they should be considered as supplements to the income statement and cash flow measures that have been presented in accordance with the AAS and IFRS and not as a replacement for them. As these non-IFRS financial and other measures are not based on AAS or IFRS, they do not have standard definitions, and the way PEXA calculates these measures may differ from similarly titled measures used by other companies. Investors and readers of this Prospectus should therefore not place undue reliance on these non-IFRS financial and other measures.

4.3. Historical and forecast income statements

4.3.1. Pro Forma Historical and Pro Forma Forecast Income Statements (FY18, FY19, FY20, FY21 and FY22)

Figure 45 sets out the Pro Forma Historical Income Statements for FY18, FY19 and FY20 and the Pro Forma Forecast Income Statements for FY21 and FY22.

Figure 45: Pro Forma Historical and Pro Forma Forecast Income Statements (FY18, FY19, FY20, FY21 and FY22)

\$ millions		Pro Forma Historical			Pro Forma Forecast	
Year ended 30 June	Note	FY18	FY19	FY20	FY21	FY22
Revenue	1	39.0	109.1	155.6	218.5	246.9
Cost of sales	2	(11.5)	(22.8)	(23.0)	(29.4)	(32.0)
Gross profit		27.5	86.3	132.6	189.0	214.9
Product design and development	3	(16.2)	(22.6)	(21.7)	(22.7)	(24.3)
Sales and marketing	4	(20.7)	(25.5)	(21.9)	(20.1)	(22.6)
General and administration	5	(32.1)	(68.4)	(37.4)	(38.1)	(41.8)
Operating expenses		(69.0)	(116.5)	(81.0)	(80.9)	(88.6)
PEXA Exchange EBITDA		(41.6)	(30.2)	51.6	108.2	126.3
Project and expansion related costs	6	–	–	(2.1)	(6.5)	(18.2)
Other non-PEXA Exchange related costs	6	–	(3.6)	(4.1)	(2.0)	(0.6)
EBITDA		(41.6)	(33.8)	45.3	99.7	107.6
Depreciation	7	(1.8)	(2.0)	(2.4)	(2.2)	(2.1)
Amortisation	8	(9.2)	(1.7)	(3.4)	(6.6)	(9.3)
EBITA		(52.6)	(37.5)	39.6	90.9	96.2
Acquired amortisation	9	(56.7)	(56.7)	(56.7)	(56.8)	(56.4)
EBIT		(109.2)	(94.2)	(17.0)	34.1	39.8
Net finance income/(expense)	10	1.6	2.6	1.9	(36.5)	(7.4)
Profit/(loss) before tax		(107.7)	(91.7)	(15.1)	(2.4)	32.4
Income tax benefit/(expense)	11	39.9	22.0	10.6	(2.2)	(12.7)
Net profit/(loss) after tax (NPAT)		(67.8)	(69.7)	(4.5)	(4.6)	19.6

Notes:

1. Revenue predominantly consists of revenue generated from fees for transactions on the PEXA Exchange. Revenue is recognised when performance obligations are satisfied by transferring a promised service to a customer (typically on the settlement of the property transaction).
2. Represents cost of sales incurred in providing PEXA Exchange services. The key costs of sales are lodgement support services (**LSS**) and lodgement gap cover insurance.
3. Represents costs to develop and operate the PEXA platform. Key costs relate to employee benefits (including salaries, benefits, bonuses, payroll tax) and third party costs associated with product design, development and operating the PEXA platform.
4. Represents costs associated with marketing, onboarding, training and supporting PEXA Members. Key costs relate to employee benefits (including salaries, benefits, bonuses, payroll tax) and directly related costs associated with sales and marketing activities including the support of existing Members, acquiring new Members and growing revenue.
5. Represents costs relating to the administrative functions of the business. Key costs relate to employee benefits (including salaries, benefits, bonuses, payroll tax) for the PEXA executive team, finance, legal, people experience, risk and compliance and administration employees. These expenses also include professional fees for legal, accounting, tax and other services and occupancy, travel, administration and Board costs. Refer to the pro forma adjustments relating to PEXA W&I Insurance, Transaction costs – PEXA Acquisition, ESOP modification, AASB 16 Leases and incremental public company costs made to Statutory EBITDA in Section 4.3.7.
6. Represents project and other costs not attributable to PEXA's core operating segment, the PEXA Exchange, including costs relating to new business initiatives that have not generated and are not forecast to generate material revenue in the historical or forecast periods, except PEXA Insights, which is forecast to generate revenue of \$1.9 million in FY22. Other non-PEXA Exchange related costs include share based payment expenses, restructure costs and capital structure costs. A breakdown of these project and other non-PEXA Exchange related costs is included at Figure 47.
7. Represents depreciation on fixed assets (property, plant and equipment and leasehold improvements) and depreciation of right of use assets relating to office leaseholds. PEXA applied AASB 16 Leases from 16 January 2019 (the completion date of the PEXA Acquisition) and a pro forma adjustment has been made to depreciation in FY18 and FY19 to apply AASB 16 Leases as if it had applied from 1 July 2017.
8. Represents amortisation on PEXA's intangible assets consisting of in-house software, principally the PEXA Exchange platform.
9. Represents amortisation on assets acquired as part of the PEXA Acquisition (i.e. when PEXA acquired PEAL in January 2019). In order to enable comparison of the pro forma results on a consistent basis across each period, a pro forma adjustment has been made in FY18 and FY19 to recognise acquired amortisation as if PEXA had acquired PEAL immediately prior to 1 July 2017. Refer to Section 4.3.7 for further details.
10. Pro forma net finance income/(expense) represents interest earned from cash and cash equivalents held, offset by interest payable. Interest payable includes interest on shareholder loans in FY21 and interest on external debt in FY22. Interest relating to the finance component of leases accounted for in accordance with AASB 16 Leases is also reported in net finance income/(expense). PEXA applied AASB 16 Leases from 16 January 2019 (the completion date of the PEXA Acquisition) and a pro forma adjustment has been made to interest in FY18 and FY19 to apply AASB 16 Leases as if it had applied from 1 July 2017.
11. Income tax benefit/(expense) reported above includes both current and deferred tax benefits/(expenses). PEXA has recorded a net loss before tax in FY18, FY19 and FY20 and as a result has not recorded any current tax expense. PEXA has recognised deferred tax benefits/(expenses) in relation to the recognition of deferred tax assets and liabilities. As at 30 June 2020, PEXA recognised a deferred tax asset in respect of carried forward losses of \$94.1 million (carried forward losses of \$313.7 million tax-effected at 30% corporate tax rate) and carried forward non-refundable R&D tax offsets of \$17.8 million, which will be used to reduce its future taxable income (subject to satisfaction of loss recoupment and eligibility rules under Australian tax law). Due to the existence of deferred tax liabilities, the deferred tax assets are shown net of deferred tax liabilities (\$20.5 million net deferred tax liability at 30 June 2020) in line with Australian Accounting Standards.

4.3.2. Pro Forma Historical Income Statements (1H FY20 and 1H FY21)

Figure 46 sets out the Pro Forma Historical Income Statements for 1H FY20 and 1H FY21.

Figure 46: Pro Forma Historical Income Statements (1H FY20 and 1H FY21)

\$ millions		Pro Forma Historical	
Half year ended 31 December	Note	1H FY20	1H FY21
Revenue	1	78.7	99.7
Cost of sales	2	(11.8)	(13.9)
Gross profit		66.9	85.7
Product design and development	3	(10.7)	(10.4)
Sales and marketing	4	(12.0)	(9.6)
General and administration	5	(20.2)	(18.5)
Operating expenses		(42.9)	(38.5)
PEXA Exchange EBITDA		24.1	47.3
Project and expansion related costs	6	(0.1)	(2.3)
Other non-PEXA Exchange related costs	6	(1.2)	(0.8)
EBITDA		22.7	44.2
Depreciation	7	(0.9)	(1.2)
Amortisation	8	(1.1)	(3.1)
EBITA		20.7	39.9
Acquired amortisation	9	(28.5)	(28.4)
EBIT		(7.8)	11.5
Net finance income/(expense)	10	0.9	(16.5)
Profit/(loss) before tax		(6.9)	(5.0)
Income tax benefit/(expense)	11	1.9	1.2
NPAT		(4.9)	(3.8)

Notes: For notes 1-10, refer to the corresponding notes in Figure 45. For details of pro forma adjustments impacting the 1H FY20 and 1H FY21 income statements refer to Section 4.3.8.

- Income tax benefit/(expense) reported above includes both current and deferred tax benefits/(expenses). PEXA recorded a net loss before tax in 1H FY20 and 1H FY21 and as a result has not recorded any current tax expense. PEXA has recognised deferred tax benefits/(expenses) in relation to the recognition of deferred tax assets and liabilities. As at 31 December 2020, PEXA had recognised a deferred tax asset in respect of carried forward losses of \$102.8 million (carried forward losses of \$342.7 million tax-effected at 30% corporate tax rate) and carried forward non-refundable R&D tax offsets of \$18.9 million, which will be used to reduce its future taxable income (subject to satisfaction of loss recoupment and eligibility rules under Australian tax law). Due to the existence of deferred tax liabilities, the deferred tax assets are shown net of deferred tax liabilities (\$20.2 million net deferred tax liability at 31 December 2020) in line with Australian Accounting Standards.

4.3.3. Summary of project and other non-PEXA Exchange related costs in the pro forma income statements

As discussed in Note 6 to Figure 45, PEXA has identified certain project and other costs that it does not consider to be attributable to PEXA's core operating segment, being the PEXA Exchange. Figure 47 and Figure 48 set out a summary of project and other non-PEXA Exchange related costs in the pro forma income statements.

Figure 47: Summary of project and other non-PEXA Exchange related costs in the pro forma income statements (FY18, FY19, FY20, FY21 and FY22)

\$ millions		Pro Forma Historical			Pro Forma Forecast	
Year ended 30 June	Note	FY18	FY19	FY20	FY21	FY22
International expansion	1	–	–	(1.2)	(4.7)	(11.0)
PEXA Insights	2	–	–	(0.8)	(1.8)	(6.1)
Other projects	3	–	–	(0.2)	–	(1.1)
Project and expansion related costs		–	–	(2.1)	(6.5)	(18.2)
Share based payment expenses	4	–	–	–	(0.6)	(0.6)
Restructure costs	5	–	(3.6)	(3.6)	(0.3)	–
Capital structure costs	6	–	–	(0.5)	(1.2)	–
Other non-PEXA Exchange related costs		–	(3.6)	(4.1)	(2.0)	(0.6)

Notes:

1. Represents expenditure on design and development costs in relation to an international digital property settlement platform. England and Wales have been identified as the initial expansion jurisdictions and expenditure includes market scoping studies, industry engagement, platform design and business operation costs. PEXA has forecast establishment costs to be incurred across FY21 and FY22 without any incremental revenue contribution.
2. Represents expenditure establishing the Property Data Bureau (see Section 3.4.3), forecast to be \$8.0 million in FY22, offset by PEXA Insights revenue, forecast to be \$1.9 million in FY22. Expenditure includes design and development costs for new products and services, regulatory engagement and market research.
3. Other project costs in FY20 related to PEXA Labs, which was established to test prototype product offerings and has been discontinued. Other project costs forecast in FY22 relate to PX Ventures which represents investments into new technology partnerships to broaden PEXA's presence in the property ecosystem. PEXA has forecast establishment costs to be incurred in FY22 without any incremental revenue contribution.
4. Share based payment expenses associated with PEXA's Management Equity Plan, which will be settled at the time of the Offer. As outlined in Sections 4.3.7 and 4.3.8, a pro forma adjustment has been included to remove expenses associated with the accelerated vesting and close-out of the MEP in FY21 and recognise the ongoing costs of the MEP in FY21 and FY22 as though the Offer had not occurred.
5. Following the acquisition of PEAL on 16 January 2019 and the initial development phase of PEXA's core settlement platform, PEXA commenced a phased restructure of its Executive Management, Development and Client Services teams. The costs associated with this restructure across FY19, FY20 and FY21 were primarily driven by redundant roles in the Client Services team and Executive Management whose roles helped establish the PEXA Exchange platform and were no longer required due to the maturity of the platform.
6. Adviser costs incurred in FY20 in connection with a return of capital to Shareholders and in FY21 in connection with a proposed debt refinancing process, which ceased in January 2021.

Figure 48: Summary of project and other non-PEXA Exchange related costs in the pro forma income statements (1H FY20 and 1H FY21)

\$ millions		Pro Forma Historical	
Half year ended 31 December	Note	1H FY20	1H FY21
International expansion	1	(0.1)	(1.8)
PEXA Insights	2	–	(0.5)
Project and expansion related costs		(0.1)	(2.3)
Share based payment expenses	4	–	(0.3)
Restructure costs	5	(1.2)	(0.3)
Capital structure costs	6	–	(0.2)
Other non-PEXA Exchange related costs		(1.2)	(0.8)

Notes: Refer to the corresponding notes in Figure 47.

4.3.4. Statutory Historical and Statutory Forecast Income Statements

Figure 49 sets out Statutory Historical Income Statements for FY19 and FY20 and Statutory Forecast Income Statements for FY21 and FY22.

Figure 49: Statutory Historical and Statutory Forecast Income Statements (FY19, FY20, FY21 and FY22)

\$ millions		Statutory Historical			Statutory Forecast	
Year ended 30 June	Note	FY18	FY19	FY20	FY21	FY22
Revenue	1	–	54.4	155.6	218.5	246.9
Cost of sales	2	–	(11.2)	(23.0)	(29.4)	(32.0)
Gross profit		–	43.2	132.6	189.0	214.9
Product design and development	3	–	(10.8)	(21.7)	(22.7)	(24.3)
Sales and marketing	4	–	(12.8)	(21.9)	(20.1)	(22.6)
General and administration	5	–	(14.7)	(31.1)	(31.6)	(41.8)
Operating expenses		–	(38.3)	(74.6)	(74.3)	(88.6)
PEXA Exchange EBITDA		–	4.9	57.9	114.7	126.3
Project and expansion related costs	6	–	–	(2.1)	(6.5)	(18.2)
Other non-PEXA Exchange related costs	6	–	(3.6)	(4.1)	(7.7)	–
Offer costs	12	–	–	–	(5.9)	(32.5)
EBITDA		–	1.2	51.7	94.7	75.6
Depreciation	7	–	(1.0)	(2.4)	(2.2)	(2.1)
Amortisation	8	–	(1.3)	(3.4)	(6.6)	(9.3)
EBITA		–	(1.0)	46.0	85.9	64.3
Acquired amortisation	9	–	(23.8)	(56.7)	(56.8)	(56.4)
EBIT		–	(24.9)	(10.7)	29.1	7.8
Net finance income/(expense)	10	–	1.1	1.9	(36.5)	(7.4)
Profit/(loss) before tax		–	(23.8)	(8.8)	(7.4)	0.5
Income tax benefit/(expense)	11	–	1.6	8.7	(2.4)	(3.0)
NPAT		–	(22.2)	(0.0)	(9.8)	(2.5)

Notes: For notes 1-11, refer to the corresponding notes in Figure 45.

12. Represents transaction costs relating to the Offer, which are estimated at \$50.4 million, of which \$8.5 million (before tax) is directly attributed to the issue of new Shares and will be offset against equity raised in the Offer. The remaining \$41.9 million (before tax) relates to the sale of existing Shares by the Selling Shareholders and is treated as an expense (within Offer costs) which is forecast to be incurred across FY21 (\$5.9 million), FY22 (\$32.5 million) and post FY22 (\$3.5 million). The post FY22 expenses relate to Public Offering of Securities Insurance (POSI) that will be recognised as a prepayment and expensed over the term of the insurance coverage (7 years).

4.3.5. Statutory Historical Income Statements (1H FY20 and 1H FY21)

Figure 50 sets out the Statutory Historical Income Statements for 1H FY20 and 1H FY21.

Figure 50: Statutory Historical Income Statements (1H FY20 and 1H FY21)

\$ millions		Statutory Historical	
Half year ended 31 December	Note	1H FY20	1H FY21
Revenue	1	78.7	99.7
Cost of sales	2	(11.8)	(13.9)
Gross profit		66.9	85.7
Product design and development	3	(10.7)	(10.4)
Sales and marketing	4	(12.0)	(9.6)
General and administration	5	(17.0)	(15.3)
Operating expenses		(39.7)	(35.3)
PEXA Exchange EBITDA		27.2	50.4
Project and expansion related costs	6	(0.1)	(2.3)
Other non-PEXA Exchange related costs	6	(1.2)	(0.8)
EBITDA		25.9	47.4
Depreciation	7	(0.9)	(1.2)
Amortisation	8	(1.1)	(3.1)
EBITA		23.8	43.0
Acquired amortisation	9	(28.5)	(28.4)
EBIT		(4.7)	14.7
Net finance income/(expense)	10	0.9	(16.5)
Profit/(loss) before tax		(3.8)	(1.9)
Income tax benefit/(expense)	11	1.0	0.3
NPAT		(2.8)	(1.6)

Notes: Refer to the corresponding notes in Figure 49.

4.3.6. Summary of project and other non-PEXA Exchange related costs in the statutory income statements (FY18, FY19, FY20, FY21 and FY22)

As discussed in Note 6 to Figure 45, PEXA has identified certain project and other costs that it does not consider attributable to PEXA's core operating segment, being the PEXA Exchange. Figure 51 and Figure 52 set out a summary of project and other non-PEXA Exchange related expenditure in the Statutory Income Statements.

Figure 51: Summary of project and other non-PEXA Exchange related costs in the statutory income statements (FY18, FY19, FY20, FY21 and FY22)

\$ millions		Statutory Historical			Statutory Forecast	
Year ended 30 June	Note	FY18	FY19	FY20	FY21	FY22
International expansion	1	–	–	(1.2)	(4.7)	(11.0)
PEXA Insights	2	–	–	(0.8)	(1.8)	(6.1)
Other projects	3	–	–	(0.2)	–	(1.1)
Project and expansion related costs		–	–	(2.1)	(6.5)	(18.2)
Share based payment expenses	4	–	–	–	(6.3)	–
Restructure costs	5	–	(3.6)	(3.6)	(0.3)	–
Capital structure costs	6	–	–	(0.5)	(1.2)	–
Other non-PEXA Exchange related costs		–	(3.6)	(4.1)	(7.7)	–
Offer costs	7	–	–	–	(5.9)	(32.5)

Notes: For Notes 1-6, refer to the corresponding notes in Figure 47. For Note 7, refer to note 12 of Figure 49.

Figure 52: Summary of project and other non-PEXA Exchange related costs in the statutory income statements (1H FY20 and 1H FY21)

\$ millions		Statutory Historical	
Half year ended 31 December	Note	1H FY20	1H FY21
International expansion	1	(0.1)	(1.8)
PEXA Insights	2	–	(0.5)
Project and expansion related costs		(0.1)	(2.3)
Share based payment expenses	4	–	(0.3)
Restructure costs	5	(1.2)	(0.3)
Capital structure costs	6	–	(0.2)
Other non-PEXA Exchange related costs		(1.2)	(0.8)

Notes: Refer to the corresponding notes in Figure 47.

4.3.7. Pro forma adjustments to the Statutory Historical Income Statements and Statutory Forecast Income Statements (FY18, FY19, FY20, FY21 and FY22)

Figure 53 sets out the pro forma adjustments that have been made to the Statutory Historical Income Statements for FY18, FY19 and FY20, and the Statutory Forecast Income Statements for FY21 and FY22.

Figure 53: Pro forma adjustments to Statutory Historical and Forecast Income Statements (FY18, FY19, FY20, FY21 and FY22)

\$ millions		Historical			Forecast	
Year ended 30 June	Note	FY18	FY19	FY20	FY21	FY22
Statutory revenue		–	54.4	155.6	218.5	246.9
PEAL pre acquisition revenue	1	39.0	54.8	–	–	–
Pro forma revenue		39.0	109.1	155.6	218.5	246.9
Statutory EBITDA		–	1.2	51.7	94.7	75.6
PEAL pre acquisition EBITDA	1	(39.6)	(55.9)	–	–	–
PEXA W&I insurance	2	(0.5)	(0.3)	–	–	–
Transaction costs – PEXA Acquisition	3	2.8	9.5	–	–	–
ESOP modification	4	–	16.3	–	–	–
AASB 16 Leases adjustment	5	1.6	0.9	–	–	–
Offer costs	6	–	–	–	5.9	32.5
Incremental public company costs	7	(6.0)	(5.6)	(6.3)	(6.5)	–
MEP close out costs	8	–	–	–	5.7	(0.6)
Pro forma EBITDA		(41.6)	(33.8)	45.3	99.7	107.6
Statutory NPAT		–	(22.2)	(0.0)	(9.8)	(2.5)
PEAL pre acquisition NPAT	1	(34.8)	(43.0)	–	–	–
PEXA W&I insurance	2	(0.5)	(0.3)	–	–	–
Transaction costs – PEXA Acquisition	3	2.8	9.5	–	–	–
ESOP modification	4	–	16.3	–	–	–
AASB 16 Leases adjustment	5	(0.3)	(0.1)	–	–	–
Offer costs	6	–	–	–	5.9	32.5
Incremental public company costs	7	(6.0)	(5.6)	(6.3)	(6.5)	–
MEP close out costs	8	–	–	–	5.7	(0.6)
Revised useful life in-house software	9	13.4	6.5	–	–	–
Acquired amortisation	10	(56.7)	(32.8)	–	–	–
Tax effect of adjustments	11	14.1	1.9	1.9	0.2	(9.8)
Pro forma NPAT		(67.8)	(69.7)	(4.5)	(4.6)	19.6

Notes:

1. Torrens Group Holdings Pty Ltd's consolidated financial statements for FY19 covered operations for the period 16 January 2019 to 30 June 2019 after the PEXA Acquisition on 16 January 2019. This adjustment represents the results of PEAL for FY18 and the portion of FY19 prior to the PEXA Acquisition, derived from the PEAL Historical Income Statements. The purpose of this adjustment is to present pro forma historical financial information for FY18 and FY19 as if PEXA owned PEAL from immediately prior to 1 July 2017.
2. Represents an adjustment to reflect the costs associated with a Warranty and Indemnity (**W&I**) insurance policy incurred by PEXA at the time of the PEXA Acquisition on a consistent basis across all financial periods.
3. Represents the elimination of corporate advisory costs incurred in relation to PEXA acquiring PEAL of \$2.8 million in FY18 and \$9.5 million in FY19.
4. Adjustment removes the costs associated with the modification of PEAL's historical ESOP which was modified and settled as part of PEXA's acquisition of PEAL. The pro forma adjustment only removes the incremental costs associated with the cash settlement of the ESOP (\$16.3 million); the remaining ESOP costs included within the pro forma historical income statements (\$33.3 million) reflect the ordinary vesting costs in FY18 and FY19 and the costs associated with accelerated vesting of the ESOP in FY19 as a result of the PEXA Acquisition. The MEP was established in July 2020 to replace the ESOP.
5. PEXA applied AASB 16 Leases to transactions from 16 January 2019 (the completion date of the PEXA Acquisition). This adjustment represents the impact of AASB 16 Leases as if it applied throughout FY18 and FY19. This adjustment enables comparison of the pro forma results for all periods applying a consistent accounting policy with regard to leases.
6. Total transaction costs relating to the Offer are estimated at \$50.4 million, of which \$8.5 million (before tax) is directly attributed to the issue of new Shares and will be offset against equity raised in the Offer. The remaining \$41.9 million (before tax) relates to the sale of existing Shares by the Selling Shareholders and is treated as an expense (within Offer costs) which is forecast to be incurred across FY21 (\$5.9 million), FY22 (\$32.5 million) and post FY22 (\$3.5 million).
7. Incremental public company costs represent an estimate of the additional costs PEXA will incur as a public company. The additional public company costs include additional audit, tax and legal costs, insurance costs, Board costs, investor relations, listing fees, share registry fees, annual general meeting and annual report costs. These pro forma adjustments have been applied retrospectively from FY18 to FY21 and are included within the statutory forecast EBITDA and NPAT in FY22.
8. The MEP was established in January 2020 with the first grant issued in July 2020. As a result of the Offer, the MEP vesting will be accelerated, resulting in \$5.7 million of incremental cost recorded in the Statutory Income Statement in FY21. Taking this pro forma adjustment into account, the Pro Forma Forecast Income Statements reflect the ongoing cost of the MEP in FY21 and FY22 as though the Offer had not occurred.
9. As part of the PEXA Acquisition, PEXA revised the useful life of the PEXA Exchange intangible asset from five years to 15 years. An adjustment has been made in FY18 and FY19 to reflect a consistent amortisation rate across the historical and forecast periods.
10. As part of the PEXA Acquisition, PEXA recorded an uplift in the value of PEAL's intangible assets. The amortisation associated with these acquired intangibles has been reflected across FY18 (representing \$56.7 million for a period of 12 months) and FY19 (representing \$32.8 million for a period of 6.5 months prior to the PEXA Acquisition) to present a consistent amortisation profile across all periods.
11. Represents the income tax effect of pro forma adjustments of Notes 2-10. Adjustment 1 incorporates the NPAT of PEAL within PEXA's Pro Forma Historical Income Statements and therefore no further tax effect adjustment is required for this adjustment.

4.3.8. Pro forma adjustments to the Statutory Historical Income Statements (1H FY20 and 1H FY21)

Figure 54 sets out the pro forma adjustments that have been made to the Statutory Historical Income Statements for 1H FY20 and 1H FY21.

Figure 54: Pro forma adjustments to Statutory Historical Income Statements (1H FY20 and 1H FY21)

\$ millions		Historical	
Half year ended 31 December	Note	1H FY20	1H FY21
Statutory revenue		78.7	99.7
No adjustments to revenue		–	–
Pro forma revenue		78.7	99.7
Statutory EBITDA		25.9	47.4
Incremental public company costs	1	(3.1)	(3.2)
Pro forma EBITDA		22.7	44.2
Statutory loss after tax		(2.8)	(1.6)
Incremental public company costs	1	(3.1)	(3.2)
Tax effect of adjustments	2	0.9	0.9
Pro forma loss after tax		(4.9)	(3.8)

Notes:

1. Incremental public company costs represent an estimate of the additional costs PEXA will incur as a public company. The additional public company costs include additional audit, tax and legal costs, Board costs, investor relations, listing fees, share registry fees, annual general meeting and annual report costs.
2. Represents the income tax effect of pro forma adjustments for incremental public company costs.

4.3.9. Key operating and financial metrics

Figure 55 summarises the pro forma historical key operating and financial metrics for FY18, FY19 and FY20 and the pro forma forecast key operating and financial metrics for FY21 and FY22. Where the pro forma metrics differ from the equivalent statutory metrics, the statutory metrics are presented in Figure 57.

Figure 55: Pro forma key operating and financial metrics (FY18, FY19, FY20, FY21 and FY22)

Pro Forma Historical					Pro Forma Forecast	
Year ended 30 June	Note	FY18	FY19	FY20	FY21	FY22
Key operating metrics						
Transfer		2,594	2,293	2,306	2,853	2,818
Refinance		537	525	599	643	619
Other		743	745	642	681	701
Market volumes (000's)	1	3,874	3,563	3,547	4,178	4,137
Transfer		8%	44%	66%	80%	86%
Refinance		71%	91%	98%	97%	98%
Other		28%	37%	50%	55%	63%
Market share (%)		21%	49%	68%	79%	84%
Transfer		213	999	1,515	2,283	2,437
Refinance		380	479	585	627	605
Other		208	278	321	371	443
PEXA Exchange transactions (000's)		802	1,756	2,421	3,282	3,485
Transfer		79	80	79	78	84
Refinance		44	45	46	46	47
Other		23	23	24	25	28
Average price (\$)		48	62	63	66	70
Transfer		17	80	119	178	204
Refinance		17	22	27	29	29
Other		5	6	8	9	12
Pro forma revenue excluding ancillary services (\$ millions)		38	108	154	216	245
Ancillary services revenue (\$ millions)		1	1	2	2	2
Pro forma revenue (\$ millions)		39	109	156	218	247

		Pro Forma Historical			Pro Forma Forecast	
Year ended 30 June	Note	FY18	FY19	FY20	FY21	FY22
Exchange revenue by State						
VIC		16	54	66	72	78
NSW		14	38	61	75	76
WA		4	9	13	23	24
QLD		3	4	8	28	48
SA		2	3	5	18	17
ACT		0	–	–	0	1
Pro forma revenue excluding ancillary services (\$ millions)		38	108	154	216	245
Ancillary services revenue (\$ millions)		1	1	2	2	2
Pro forma revenue (\$ millions)		39	109	156	218	247
Key financial metrics						
Revenue growth		NA	180%	43%	40%	13%
Gross margin		71%	79%	85%	87%	87%
PEXA Exchange EBITDA growth	2	NA	NM	NM	110%	17%
PEXA Exchange EBITDA margin	2	NM	NM	33%	50%	51%
NPATA (\$ millions)		(28.1)	(30.0)	35.2	35.2	59.2
NPATA growth	3	NA	NM	NM	(0%)	68%
NPATA margin	3	NM	NM	23%	16%	24%

Notes:

1. Market volumes represent the total number of national transactions that can be lodged electronically for the period. BIS Oxford has estimated market volumes for FY18, FY19 and FY20. Forecast market volumes for FY21 are based on BIS Oxford's estimated market volumes for July 2020 to March 2021 and PEXA management estimates for April, May and June 2021. Forecast market volumes for FY22 are based on BIS Oxford's estimates.
2. PEXA Exchange EBITDA growth in FY19 and FY20 and margin in FY18 and FY19 are not meaningful due to PEXA's negative PEXA Exchange EBITDA in FY18 and FY19.
3. NPATA growth in FY19 and FY20 and margin in FY18 and FY19 are not meaningful due to PEXA's negative NPATA in FY18 and FY19. Forecast NPATA growth of 0% in FY21 is driven by relatively flat Pro Forma NPAT in FY20 and FY21 forecast of (\$4.5 million) and (\$4.6 million) respectively, and flat (tax effected) acquired amortisation over the two periods (\$39.7 million and \$39.7 million respectively). Forecast NPATA growth of 68% in FY22 is driven by the growth in Pro Forma NPAT in FY22 to \$19.6 million, together with relatively flat (tax effected) acquired amortisation over the two periods (\$39.7 million and \$39.5 million respectively). See Sections 4.10.1.1 and 4.10.1.2 for more information on FY21 and FY22 NPAT growth.

Figure 56 summarises the pro forma historical key operating and financial metrics for 1H FY20 and 1H FY21.

Figure 56: Pro forma key operating and financial metrics (1H FY20 and 1H FY21)

	Pro Forma Historical		
Half year ended 31 December	Note	1H FY20	1H FY21
Key operating metrics			
Transfer		1,216	1,346
Refinance		287	316
Other		332	337
Market volumes (000's)	1	1,834	1,999
Transfer		63%	78%
Refinance		97%	98%
Other		48%	55%
Market share (%)		66%	77%
Transfer		764	1,046
Refinance		278	310
Other		161	184
PEXA Exchange transactions (000's)		1,203	1,539
Transfer		80	76
Refinance		46	46
Other		24	25
Average price (\$)		65	64
Transfer		61	80
Refinance		13	14
Other		4	5
Pro forma revenue excluding ancillary services (\$ millions)		78	99
Ancillary services revenue (\$ millions)		1	1
Pro forma revenue (\$ millions)		79	100

Half year ended 31 December	Note	Pro Forma Historical	
		1H FY20	1H FY21
Exchange revenue by State			
VIC		34	33
NSW		32	36
WA		7	10
QLD		3	10
SA		2	9
ACT		-	-
Pro forma revenue excluding ancillary services (\$ millions)		78	99
Ancillary services revenue (\$ millions)		1	1
Pro forma revenue (\$ millions)		79	100
Key financial metrics			
Revenue growth		NA	27%
Gross margin		85%	86%
PEXA Exchange EBITDA growth		NA	96%
PEXA Exchange EBITDA margin		31%	47%
NPATA (\$ millions)		15.0	16.1
NPATA growth		NA	7%
NPATA margin		19%	16%

Notes: Refer to the corresponding notes in Figure 55.

Figure 57 summarises the statutory historical key operating and financial metrics for FY18, FY19 and FY20 and the statutory forecast key operating and financial metrics for FY21 and FY22, to the extent they are different from the pro forma key operating and financial metrics in Figure 55. PEXA Exchange EBITDA growth, PEXA Exchange EBITDA margin, NPATA, NPATA growth and NPATA margin shown below are non-IFRS measures derived from the Statutory Historical Income Statements and Statutory Forecast Income Statements.

Figure 57: Statutory key operating and financial metrics (FY18, FY19, FY20, FY21 and FY22)

\$ millions	Statutory Historical			Statutory Forecast	
Year ended 30 June	FY18	FY19	FY20	FY21	FY22
Key financial metrics					
PEXA Exchange EBITDA growth	NA	NA	NM	98%	10%
PEXA Exchange EBITDA margin	NA	9%	37%	53%	51%
NPATA (\$ millions)	–	(5.5)	39.6	29.9	37.0
NPATA growth	NA	NA	NM	(24%)	24%
NPATA margin	NA	NM	25%	14%	15%

Figure 58 summarises the statutory historical key operating and financial metrics for 1H FY20 and 1H FY21, to the extent they are different from the pro forma key operating and financial metrics in Figure 56.

Figure 58: Statutory key operating and financial metrics (1H FY20 and 1H FY21)

\$ millions	Statutory Historical	
Year ended 30 June	1H FY20	1H FY21
Key financial metrics		
PEXA Exchange EBITDA growth	NA	85%
PEXA Exchange EBITDA margin	35%	51%
NPATA (\$ millions)	17.2	18.3
NPATA growth	NA	6%
NPATA margin	22%	18%

4.4. Statutory and Pro Forma Historical Statement of Financial Position

4.4.1. Overview

Figure 59 sets out the Statutory Historical Statement of Financial Position and the pro forma adjustments that have been made to present the Pro Forma Historical Statement of Financial Position of PEXA as at 31 December 2020.

These adjustments take into account the effect of:

- the Offer proceeds and related transaction costs;
 - changes to PEXA's borrowings structure upon Completion of the Offer including settlement of the shareholder loans using the proceeds from the Offer, proceeds from the external debt and conversion of the remaining balances to equity; and
 - close out of the MEP around the time of the Offer,
- as if they had occurred as at 31 December 2020.

Figure 59: Statutory Historical Statement of Financial Position and Pro Forma Historical Statement of Financial Position as at 31 December 2020

\$ millions		Statutory Historical	Impact of the Offer	External Debt	Shareholder Loan Repayment	MEP Close Out	Pro Forma Historical
31 December 2020	Note						
Current assets							
Cash and cash equivalents	1	104.1	164.6	332.4	(593.0)	–	8.1
Trade and other receivables		0.5	–	–	–	–	0.5
Prepayments and other assets	2	8.3	3.5	–	–	–	11.8
Other financial assets		3.6	–	–	–	–	3.6
Total current assets		116.5	168.1	332.4	(593.0)	–	24.0
Non-current assets							
Property, plant and equipment		0.7	–	–	–	–	0.7
Intangible assets		1,536.8	–	–	–	–	1,536.8
Right of use assets		9.2	–	–	–	–	9.2
Total non-current assets		1,546.6	–	–	–	–	1,546.6
Total assets		1,663.1	168.1	332.4	(593.0)	–	1,570.6
Current liabilities							
Trade and other payables	3	17.2	(1.0)	–	–	–	16.2
Provisions		4.0	–	–	–	–	4.0
Lease liabilities		1.4	–	–	–	–	1.4
Total current liabilities		22.6	(1.0)	–	–	–	21.6
Non-current liabilities							
Shareholder loans	4	964.9	–	–	(929.9)	(35.0)	–
Borrowings	5	–	–	332.4	–	–	332.4
Provisions		0.5	–	–	–	–	0.5
Lease liabilities		9.2	–	–	–	–	9.2
Deferred tax liabilities	6	20.2	(14.1)	–	–	–	6.2
Total non-current liabilities		994.9	(14.1)	332.4	(929.9)	(35.0)	348.3
Total liabilities		1,017.5	(15.1)	332.4	(929.9)	(35.0)	369.9
Net assets		645.6	183.2	–	336.9	35.0	1,200.7
Equity							
Contributed equity	7	669.1	210.0	–	336.9	41.3	1,257.4
Reserves		0.3	–	–	–	(0.3)	–
Accumulated losses	8	(23.8)	(26.9)	–	–	(6.0)	(56.7)
Total equity		645.6	183.2	–	336.9	35.0	1,200.7

Notes:

1. Cash and cash equivalents are expected to reduce by \$96.0 million driven by the repayment of shareholder loans (\$593.0 million) and the payment of Offer costs (\$51.4 million), partially offset by net proceeds from external debt (\$332.4 million) and primary Offer proceeds (\$216.0 million).
2. Prepayments are expected to increase by \$3.5 million in relation to an insurance premium included in the Offer costs that will be expensed over the term of the insurance coverage (Public Offering of Securities Insurance – 7 years).
3. Trade and other payables are expected to reduce by \$1.0 million for the recoverable GST input tax credits on Offer costs.
4. Shareholder loans are expected to reduce to nil as a result of repayments from the following sources: i) \$428.4 million from a combination of cash and cash equivalents and drawdown of the external debt; ii) \$164.6 million from proceeds of the Offer; iii) \$35 million repayment of MEP loan balances via a corresponding reduction in the shareholder loans and iv) the remaining shareholder loan balance of \$336.9 million being converted to equity.
5. An external debt facility of \$335 million as described under Section 4.4.2 will be put in place to repay shareholder loans and provide a revolving facility for growth expansion activities as they arise. Debt establishment fees of \$2.6 million will be capitalised in relation to the external debt facility.
6. Net deferred tax liabilities will reduce by the deferred tax asset of \$14.1 million recognised in relation to the Offer costs.
7. Contributed equity is expected to increase as a result of the following: \$336.9 million conversion of shareholder loans to equity, \$41.3 million of MEP shares converting to equity and \$216.0 million of new share capital issued in connection with the Offer, which is offset by the after-tax amount of transaction costs (\$6.0 million) directly attributable to the issue of new shares which are applied against contributed equity.
8. Accumulated losses are expected to increase by \$32.9 million representing \$26.9 million of Offer costs incurred that are not directly attributable to the issue of new shares and \$6.0 million costs for the settlement of the MEP.

4.4.2. Description of New Banking Facilities

Certain companies within the Group (known as the 'Obligor Group'), will enter into a senior unsecured 4-year revolving debt facility of \$335 million documented under a Syndicated Facility Agreement. The availability of funding under the New Banking Facilities is conditional on, among other things, ASX issuing a listing approval letter (subject to customary conditions) regarding commencement of trading on a conditional and deferred settlement basis, and other conditions precedent which are customary for facilities of this nature. The New Banking Facilities will be guaranteed by the Obligor Group. The terms of the New Banking Facilities, including interest rates, payment dates, facility limits and financial covenants will be agreed prior to Completion. Interest on borrowings under the facility is calculated based on a margin of 1.6% over an assumed BBSY rate of 0.50%.

On Completion, an initial drawdown from the New Banking Facilities (less establishment fees), in conjunction with proceeds from the sale of new Shares under the Offer, will be utilised to repay existing shareholder loans and pay transaction costs in relation to the Offer.

4.4.3. Liquidity and capital resources

Following Completion of the Offer, PEXA's principal sources of funds are expected to be cash flows generated from operations, cash on hand and borrowings under the New Banking Facilities.

PEXA's main uses of cash are to fund operations, working capital and capital expenditure and to support PEXA's growth initiatives. Historical and forecast capital expenditure and working capital trends are described in Sections 4.7 and 4.10. Following Completion, PEXA expects that it will have sufficient cash to meet its operational and working capital requirements during the forecast periods and to meet its stated business objectives.

PEXA's ability to generate sufficient cash depends on its future performance, which is subject to a number of factors beyond PEXA's control including general economic, financial and competitive conditions. Over time, PEXA may seek additional funding from a range of sources to diversify its funding base.

4.4.4. Contractual obligations, commitments and contingent liabilities

Figure 60 sets out the contractual obligations, commitments and contingent liabilities as at 31 December 2020.

Figure 60: Contractual obligations, commitments and contingent liabilities

\$ millions

31 December 2020	Note	< 1 year	1 - 5 years	> 5 years	Total
Trade and other payables	1	17.2	–	–	17.2
Shareholder loans	2	–	–	964.9	964.9
Provisions	3	4.0	0.5	–	4.5
Lease commitments	4	2.1	9.8	2.4	14.4
Contingent liabilities	5	–	–	–	–
Total		23.3	10.3	967.3	1,001.0

Notes:

1. Represents amounts owing to third parties for goods and services acquired by PEXA.
2. Shareholder loans were implemented in July 2020 as a result of a conversion of equity to debt, to facilitate a future cash return to Shareholders. The maximum loan term is six years with interest accrued at 4.15% per annum. Despite shareholder loans showing as >5 years in the above table, the shareholder loans will be settled as part of the Offer.
3. Represents employee leave provisions in relation to annual leave and long service leave.
4. Lease commitments relate to office premises leased by PEXA in Victoria, Queensland and Western Australia. Leases of a 12-month term or less and immaterial minor asset leases are not included in the lease commitments above.
5. PEXA did not have any contingent liabilities at 31 December 2020.

4.4.5. Off-balance sheet arrangements

PEXA currently does not have any off-balance sheet arrangements.

4.5. Historical and forecast cash flows

4.5.1. Pro Forma Historical Cash Flows and Pro Forma Forecast Cash Flows

Figure 61 sets out the Pro Forma Historical Cash Flows for FY18, FY19 and FY20 and the Pro Forma Forecast Cash Flows for FY21 and FY22.

Figure 61: Pro Forma Historical Cash Flows and Pro Forma Forecast Cash Flows (FY18, FY19, FY20, FY21 and FY22)

\$ millions		Pro Forma Historical			Pro Forma Forecast	
Year ended 30 June	Note	FY18	FY19	FY20	FY21	FY22
EBITDA		(41.6)	(33.8)	45.3	99.7	107.6
Non-cash items in EBITDA	1	3.2	–	–	0.6	0.6
ESOP settlement		–	(3.2)	–	–	–
Changes in working capital	2	(2.3)	12.2	(4.5)	2.4	0.8
Interest received	3	2.1	3.1	2.5	0.7	0.5
Interest paid	4	–	–	–	(3.3)	(6.9)
Lease payments	5	(1.6)	(1.7)	(2.0)	(2.0)	(1.9)
Operating cash flow	6	(40.2)	(23.4)	41.4	98.1	100.7
Acquisition of intangible assets	7	(17.6)	(21.7)	(18.9)	(22.5)	(52.1)
Acquisition of PP&E	8	(0.3)	(1.1)	(0.2)	(1.2)	(1.5)
Investment in other financial assets – Term Deposits	9	(2.2)	2.2	–	–	–
Free cash flow		(60.3)	(44.1)	22.3	74.4	47.0

Notes:

1. Non-cash items in EBITDA mainly reflect non-cash expenses in relation to the historical ESOP or current MEP.
2. The key drivers of changes in working capital are primarily related to movements in trade receivables, trade payables accrued expenses and provisions.
3. Represents interest income received from cash and cash equivalents held by PEXA.
4. Represents forecast interest payments on shareholder loans in FY21 and forecast interest payments on external debt in FY22. The shareholder loan interest rate is 4.15% per annum with 10% of interest payable on a quarterly basis with 90% being accrued and capitalised. External debt interest is forecast at a rate of 2.1% on drawn funds and 0.8% on the undrawn funds and payable monthly.
5. Represents total historical and forecast cash payments in relation to PEXA's office leases.
6. PEXA's operating cash flow is consistent with the definition outlined in AASB 107 *Statement of cash flows*, other than the inclusion of the total amount of lease payments rather than only the interest component as calculated under AASB 16 *Leases*.
7. Reflects the capitalisation of expenditure on intangible software assets, including third party costs, where the expenditure is measurable and related to products which are expected to have a probable future benefit.
8. Reflects the capitalisation of fixed assets including property, plant and equipment and leasehold improvements.
9. Reflects money held on deposit with a maturity longer than three months. \$2.2 million of funds were placed on term deposit in FY18 and released into available cash in FY19.

Figure 62 below provides the Pro Forma Historical Cash Flows for 1H FY20 and 1H FY21.

Figure 62: Pro Forma Historical Cash Flows (1H FY20 and 1H FY21)

\$ millions		Pro Forma Historical	
Half year ended 31 December	Note	1H FY20	1H FY21
EBITDA		22.7	44.2
Non-cash items in EBITDA	1	–	0.3
Changes in working capital	2	(9.9)	(1.9)
Interest received	3	1.3	0.4
Interest paid	4	–	(1.3)
Lease payments	5	(1.4)	(1.0)
Operating cash flow	6	12.8	40.6
Acquisition of intangible assets	7	(10.1)	(10.0)
Acquisition of PP&E	8	(0.2)	(0.1)
Free cash flow		2.5	30.6

Notes: Refer to the corresponding notes in Figure 61.

4.5.2. Statutory Historical Cash Flows and Statutory Forecast Cash Flows

Figure 63 sets out the Statutory Historical Cash Flows for FY18, FY19 and FY20 and the Statutory Forecast Cash Flows for FY21 and FY22.

Figure 63: Statutory Historical Cash Flows and Statutory Forecast Cash Flows (FY18, FY19, FY20, FY21 and FY22)

\$ millions		Statutory Historical			Statutory Forecast	
Year ended 30 June	Note	FY18	FY19	FY20	FY21	FY22
EBITDA		–	1.2	51.7	94.7	75.6
Non-cash items in EBITDA	1	–	–	–	6.5	1.0
Changes in working capital	2	–	(1.4)	(5.3)	(4.5)	4.3
Interest received	3	–	1.4	2.5	0.7	0.5
Interest paid	4	–	–	–	(3.3)	(6.9)
Lease payments	5	–	(0.8)	(2.0)	(2.0)	(1.9)
Operating cash flow	6	–	0.5	47.0	92.0	72.5
Acquisition of intangible assets	7	–	(10.2)	(18.9)	(22.5)	(52.1)
Acquisition of PP&E	8	–	(0.6)	(0.2)	(1.2)	(1.5)
Payments to former shareholders of subsidiary	9A	–	(1,565.7)	–	–	–
Free cash flow		–	(1,576.1)	27.8	68.3	18.9
Net proceeds from issue of shares	9B	–	1,618.6	–	–	–
Net proceeds from external financing	10	–	–	–	332.4	–
Shareholder loan repayment	11	–	–	–	(428.4)	(164.6)
Net proceeds from the Offer	12	–	–	–	–	206.5
Net cash flow		–	42.6	27.8	(27.7)	60.8

Notes: For notes 1-8, refer to the corresponding notes in Figure 61.

9A. Relates to funds paid to former shareholders (\$1,565.7 million) in connection with the PEXA Acquisition.

9B. Relates to a capital injection into PEXA (\$1,618.6 million) in connection with the PEXA Acquisition.

10. Proceeds from external borrowings (\$335 million), offset by establishment fees (\$2.6 million).

11. Repayment of Shareholder loans (\$593.0 million).

12. Represents \$216.0 million of cash proceeds that are to be raised as part of the Offer, less \$8.5 million of transaction costs recognised within equity as part of the Offer less \$1.0 million of recoverable GST.

Figure 64 sets out the Statutory Historical Cash Flows for 1H FY20 and 1H FY21.

Figure 64: Statutory Historical Cash Flows (1H FY20 and 1H FY21)

\$ millions		Statutory Historical	
Half year ended 31 December	Note	1H FY20	1H FY21
EBITDA		25.9	47.4
Non-cash items in EBITDA	1	–	0.3
Changes in working capital	2	(10.7)	(1.9)
Interest received	3	1.3	0.4
Interest paid	4	–	(1.3)
Lease payments	5	(1.4)	(1.0)
Operating cash flow	6	15.1	43.8
Acquisition of intangible assets	7	(10.1)	(10.0)
Acquisition of PP&E	8	(0.2)	(0.1)
Free cash flow		4.9	33.7
Financing activities		–	–
Net cash flow		4.9	33.7

Notes: Refer to the corresponding notes in Figure 61.

4.5.3. Pro Forma Adjustments to the Statutory Historical Cash Flows and the Statutory Forecast Cash Flows

Figure 65 sets out the pro forma adjustments that have been made to the statutory historical free cash flows for FY18, FY19 and FY20 and statutory forecast free cash flows for FY21 and FY22. These adjustments are summarised and explained below.

Figure 65: Pro Forma adjustments to the statutory historical free cash flows and statutory forecast free cash flows (FY18, FY19, FY20, FY21 and FY22)

\$ millions		Historical			Forecast	
Year ended 30 June	Note	FY18	FY19	FY20	FY21	FY22
Statutory free cash flow		–	(1,576.1)	27.8	68.3	18.9
PEAL historical free cash flow	1	(55.4)	(54.1)	–	–	–
PEXA Insurance	2	(0.5)	(0.3)	–	–	–
Incremental public company costs	3	(6.0)	(5.6)	(6.3)	(6.5)	–
ESOP close-out	4	–	15.5	0.8	–	–
Transaction costs – PEXA Acquisition	5	1.6	10.7	–	–	–
Remove payments to former shareholders	6		1,565.7	–	–	–
Offer costs	7	–	–	–	12.6	28.1
Pro forma free cash flow		(60.3)	(44.1)	22.3	74.4	47.0

Notes:

1. Torrens Group Holdings Pty Ltd's consolidated financial statements for FY19 included transactions for the period from 16 January 2019 to 30 June 2019 after completion of the PEXA Acquisition on 16 January 2019. This adjustment reflects recognition of the free cash flows of PEAL for FY18 and the portion of FY19 prior to the PEXA Acquisition, derived from the PEAL Historical Cash Flows. The purpose of this adjustment is to present pro forma cash flows for FY18 and FY19 as if PEXA owned PEAL throughout this period.
2. Represents an adjustment to reflect the costs associated with a W&I insurance policy incurred by PEXA around the time of the PEXA Acquisition on a consistent basis across all financial periods.
3. Reflects the cash costs related to the incremental costs of being a listed public company as described in Note 7, Figure 11.
4. Adjustment removes the costs associated with the modification of PEAL's historical ESOP which was modified and settled as part of PEXA's acquisition of PEAL. The pro forma adjustment only removes the incremental costs associated with the cash settlement of the ESOP (\$16.3 million), of which \$15.5 million was paid in FY19 and \$0.8 million was paid in FY20.
5. Represents the elimination of one-off corporate advisory costs incurred in relation to the PEXA Acquisition of PEAL: \$1.6 million in FY18 and \$10.7 million in FY19.
6. Removes the funds paid to former Shareholders who exited at the time of the PEXA Acquisition.
7. Offer costs relating to the sale of existing Shares by the Selling Shareholders are forecast to be incurred across FY21 (\$12.6 million) and FY22 (\$28.1 million).

Figure 66 below provides a summary of the pro forma adjustments that have been made to the Statutory Historical Cash Flows for 1H FY20 and 1H FY21.

Figure 66: Pro Forma adjustments to the statutory historical free cash flows (1H FY20 and 1H FY21)

\$ millions		Historical	
Half year ended 31 December	Note	1H FY20	1H FY21
Statutory free cash flow		4.9	33.7
Incremental public company costs	3	(3.1)	(3.2)
ESOP close-out	4	0.8	-
Pro forma free cash flow		2.5	30.6

Notes: Refer to the corresponding notes in Figure 65.

4.6. Qualitative disclosures about market risk

In the course of its operations, PEXA is exposed to certain financial risks that could affect its financial position and performance. PEXA manages these risks using a risk management framework and related policies to guide management. The overall process for the management of risk is documented in the risk management framework. The Chief Risk Officer oversees the operational management of risk in line with the risk management framework and related policies/guidelines and reports regularly to the Risk Management and Audit Committee.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. During the periods covered by the Historical Financial Information, PEXA's financial instruments exposed to interest rate risk consisted only of cash and cash equivalents, which earned interest at floating rates (cash at bank). Shareholder loans and short-term deposits were charged/earned interest based on fixed rates and as a result PEXA was not significantly exposed to interest rate risk during the periods covered by the Historical Financial Information.

As described in Section 4.4.2, PEXA will enter into a \$335 million syndicated debt facility, which it will draw down on Completion of the Offer to repay existing shareholder loans and pay transaction costs in relation to the Offer. Interest on borrowings under the facility will be calculated based on a margin over BBSY. As a result, PEXA will be exposed to movements in market interest rates on the outstanding borrowings under the facility and any other floating rate debt it incurs in future.

Liquidity risk

Liquidity risk is the risk that PEXA will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. PEXA's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

PEXA aims to maintain the level of its cash and cash equivalents at an amount in excess of expected wind-up costs in the event PEXA was to be wound up. An assessment of the expected wind-up costs is made on a monthly basis to assist Directors with assessing PEXA's solvency.

Credit Risk

Credit risk is the risk that a counterparty to a financial asset held by PEXA fails to meet their financial obligations.

Given fees from transactions on the PEXA Exchange are collected via direct debit from settlement proceeds PEXA has no history of credit losses and does not expect this to change in the future. To the extent that PEXA earns revenues from the non-PEXA Exchange products and services it is developing, its exposure to credit risk to customers may change.

Investments of surplus funds as cash and cash equivalents and other financial assets are made only with approved counterparties and within investment limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments. The approved counterparties comprise the four major Australian banks which maintain investment grade external credit ratings.

4.7. Management Discussion and Analysis of the Historical Financial Information

4.7.1. Key elements of operating results and their drivers

Below is a discussion of the composition of PEXA's revenue and expenses and the main factors which affected PEXA's operating and financial performance during the period of the Historical Financial Information and which PEXA believes are likely to affect its operating and financial performance in future periods.

The discussion of these general factors is intended to provide a summary only and does not detail all of the factors that affected PEXA's historical operating and financial performance and cash flows, or everything that may affect PEXA's operations and financial performance and cash flows in the future. The information in this Section 4 should be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

4.7.1.1 Revenue

Revenue

PEXA derives revenue by levying fixed fees on transactions undertaken by Members that use the PEXA Exchange platform to lodge and settle PEXA Exchange transactions. As a consequence, revenue excluding ancillary services is a function of the total market volumes in Australia, PEXA's market share of the market volumes in Australia and the average revenue that PEXA achieves for each PEXA Exchange transaction.

In addition to the factors discussed below, PEXA revenue is generally driven by several factors discussed in Sections 2 and 3 of this Prospectus. These include:

- growth in Australian property transactions;
- growth in PEXA's market position in Australia across both mandated and non-mandated jurisdictions;
- growth in the number of Members who have transacted on the PEXA Exchange, leading to increased volume on the PEXA Exchange platform;
- pricing increases, which are based on agreed and contracted pricing with Members that is inflation-linked and in accordance with the MOR and State registry pricing guidelines;
- the attractiveness of the PEXA Exchange platform, including the introduction of customer tools such as PEXA Key, PEXA Plus, PEXA Planner and PEXA Projects that enhance the customer experience of the platform and therefore may drive Member use; and
- the entry of new competitors and the development of their capabilities.

Historically, residential property transactions in Australia have appeared to exhibit a degree of seasonality, with market volumes in the second half of the financial year affected by the summer and Easter holidays. If PEXA's market share were stable and assuming no price changes, PEXA would anticipate having slightly higher revenue excluding ancillary services in the first half of a financial year than the second.

Figure 67: Key operating metrics (FY18, FY19, FY20, 1H FY20 and 1H FY21)

	Note	Full year			Half year	
		FY18	FY19	FY20	1H FY20	1H FY21
Market volumes ('000)	1	3,874	3,563	3,547	1,834	1,999
PEXA Exchange market share (% of total)		21%	49%	68%	66%	77%
PEXA Exchange transactions ('000)		802	1,756	2,421	1,203	1,539
Average price per PEXA Exchange transaction (\$)		48	62	63	65	64
Pro forma revenue excluding ancillary services (\$ millions)		38	108	154	78	99

Note: Refer to the corresponding notes in Figure 55.

Market volumes

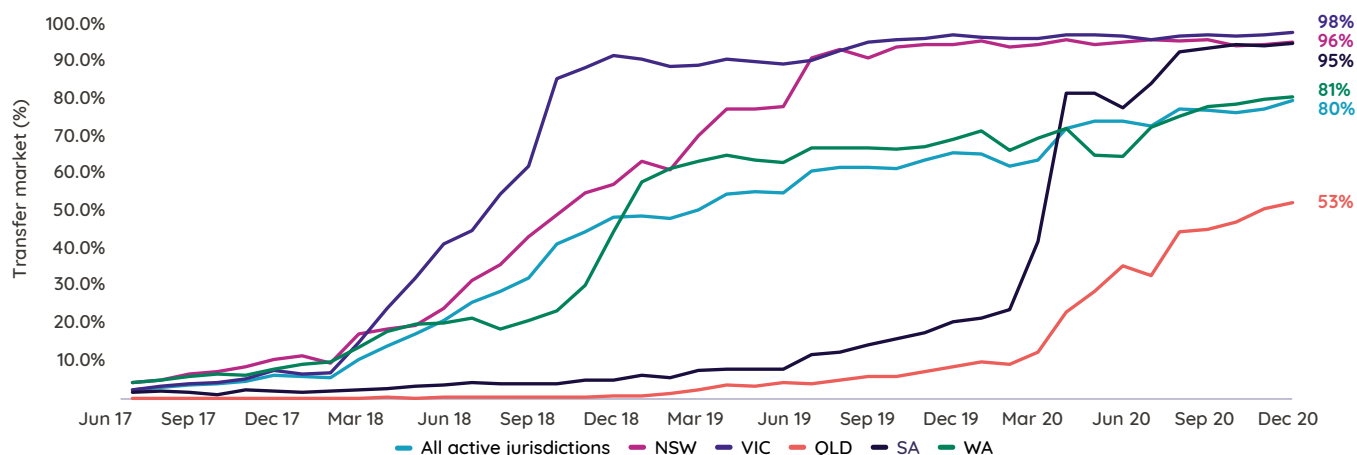
The number of real estate transactions in Australia and the associated number of Dealings lodged with Land Titles Offices is a key driver of transactions executed on the PEXA Exchange and therefore of PEXA's revenue. The key driver of real estate transactions in Australia is the residential real estate market. The growth in residential real estate transactions in Australia is mainly driven by a combination of macro-economic considerations including interest rates (which influence dwelling activity by controlling the size of the mortgage which can be serviced by a given income), unemployment, building costs, affordability, real estate prices, investor sentiment, access to finance, leverage ratios, consumer style/taste trends, the exchange rate and perceptions of risk. The increase in residential real estate transactions observed in FY21 to date has primarily been driven by the supportive fiscal and monetary policies deployed in the Australian economy in response to COVID-19.

The macroeconomic factors that drive the volume of real estate transactions are discussed in further detail in Section 2 of this Prospectus.

PEXA market share

Figure 68 shows PEXA's transfer market share increasing over the period from June 2017 through to December 2020. This has been driven by a combination of organic growth, increased available transaction types and State-based transitions to digital property settlement. The State-based transitions to digital property settlement have been supported by mandated transitions for all major transaction types in four States to date including New South Wales, Victoria and Western Australia in 2019 and South Australia in 2020. In addition, PEXA has increased its penetration in non-mandated States in Australia, including increasing market share in Queensland to 53% as at 31 December 2020 from 4% as at 30 June 2019. PEXA Exchange is continuing to expand its offering in the remaining non-mandated jurisdictions, targeting being operational in the Australian Capital Territory by the end of 2021 and achieving national market share penetration of approximately 80% in Queensland by the end of FY22.

Figure 68: PEXA market share by Australian jurisdiction (% of transfer market)



Transfer market share across Australia was over 80% in December 2020. PEXA's market share growth since July 2017 has been driven by:

- the significant Member growth during the historical periods, with the PEXA Exchange platform Members increasing from 4,258 in June 2017 to 8,508 in December 2020;
- the benefits of growth of the network that PEXA enjoys as the number of Members and types of transactions available on the PEXA Exchange platform grows;
- discounted pricing of PEXA fees (50% discount) in South Australia (November 2019 to June 2020) and Queensland (November 2019 to December 2020²) to accelerate network growth and adoption of e-conveyancing; and
- accelerated transition to e-conveyancing during COVID-19 in non-mandated States, which supported the significant increase in e-conveyancing penetration in Queensland and South Australia in FY20 and FY21.

Average price per PEXA Exchange transaction

The growth in average revenue per transaction across the historical periods has primarily been driven by product mix as higher priced transfer transaction volumes have increased. In FY20 PEXA generated \$78.61 per transfer transaction, compared to \$45.80 for refinance transactions and \$24.18 for other transactions. Transfer transactions made up 63% of total transactions in FY20 while refinance and other transactions made up 24% and 13% respectively. The mix of transfer transactions as a percentage of total transactions has increased significantly over the historical periods lifting from 27% in FY18 to 57% in FY19 and to 63% in FY20. The average revenue per transaction has to a lesser extent benefited from inflation linked pricing increases of approximately 2% in each of FY18, FY19 and FY20. PEXA prices are agreed and published with financial institutions and practitioners. These prices are agreed and contracted with Members and are inflation-linked in accordance with the MOR with separate pass through of certain external costs.

2. Queensland discounted pricing of PEXA fees was applied at a 50% discount between July 2019 and December 2020 and continues at a 25% discount until June 2021.

4.7.1.2 Expenses

PEXA presents expenses using four categories: cost of sales, product design and development, sales and marketing and general and administration.

Cost of sales

Cost of sales are expenses associated with operating the PEXA Exchange, securely hosting PEXA services and providing support to customers. Costs include lodgement support services, digital certificates, sponsor service fees and other costs.

Cost of sales primarily relates to LSS fees paid to the relevant land titles offices for the pre-population of bundled property information in a Workspace obtained from the Land Titles Office. The LSS fee covers three services:

- Registry information supply: Title information is obtained from the State Land Titles Office and relevant information is pre-populated in the Workspace to support lodgement;
- Lodgement verification: Electronic document contents are validated with the relevant State Land Titles Office to confirm the documents are ready for lodgement; and
- Title activity check: PEXA Exchange checks the relevant Land Titles Office to determine if any activity has occurred on a title being used in a Workspace. If an activity has taken place, a notification is sent to the Member, who will determine whether a refresh is required.

PEXA incurs these expenses on a per Lodgement basis rather than per each PEXA Exchange transaction and consequently, multi-party transactions result in higher gross margins.

Other expenses recorded in cost of sales relate to:

- Lodgement gap cover: fees paid on all completed transfers for PEXA's insurance against losses incurred if an intervening dealing impacts the registration of a covered PEXA Exchange Transaction.
- Sponsor fees: fees paid to PEXA sponsors as a service fee for them acquiring, onboarding and supporting Members of the PEXA Exchange. This involved PEXA paying a fee to the relevant sponsor upon a successful transfer, caveat or priority notice where they were nominated as a sponsor. Sponsorship agreements ended in July 2019.

Cost of sales includes costs relating to transactions that do not complete and where therefore no revenue is earned, but LSS fees are incurred by PEXA for Workspace setup.

Abandonment primarily results from one party in a multi-party transaction not being on the PEXA Exchange.

Abandonment has decreased as usage of the PEXA platform has grown, more Members have been onboarded and transactions per Member have increased. Workspace abandonment as a percentage of total Workspaces was 17.5% in FY18, 14.5% in FY19 and 12.3% in FY20.

Product design and development

Product design and development expenses primarily relate to personnel and related costs (including salaries, benefits, bonuses, payroll tax) and third party costs associated with platform run costs. The main driver of cost over the historical periods has been headcount and third parties supporting platform operations and Amazon Web Services (AWS) hosting services that increased from FY18 to FY19 to manage the increased PEXA Exchange transactions. Platform support and hosting costs increased from FY19 to FY20 by \$1.5 million due to increased exchange volumes and additional costs to support adjacent exchange products.

Sales and marketing

Sales and marketing expenses primarily relate to personnel and related costs (including salaries, benefits, bonuses, payroll tax) directly associated with the sales and marketing team (including the PEXA Direct team and call centre support team) activities to acquire new customers and grow revenue from existing customers. The main driver of costs over the historical periods has been headcount to support a growing Member base and support the industry

and network through e-conveyancing transition dates. Following the acquisition of PEAL and the initial development phase of PEXA's core settlement platform, PEXA commenced a phased restructure of its Executive Management, Development and Client Services teams. Certain roles in the Client Services team and Executive Management team were no longer required due to the maturity of the platform relative to prior periods and were therefore made redundant as part of the restructure.

General and administration expenses

General and administration expenses include personnel and related costs (including salaries, benefits, bonuses and payroll tax) for the PEXA executive team, finance, legal, human resources and administration employees. These expenses also include professional fees for legal, accounting, tax and other services and occupancy, travel, administration and Board costs.

Employee-related expenses such as salaries, payroll taxes and benefits and sales commissions are allocated across these expense categories according to functions on which personnel spend their time. General and administrative expenses also include the cost of share based payments for employees. PEXA's employee-related costs are the largest individual component of general and administrative expenses. PEXA capitalises a portion of its employee costs when their activity is directly related to developing an internal project, the expense can be reliably measured and it is probable that the project will generate future economic benefits. In FY20, employee-related costs (excluding the portion capitalised) comprised 60% of pro forma historical total expenses, or 75% including the capitalised portion. As at 30 June 2020, 31% of PEXA staff were focused on product development functions (including capitalised PEXA staff).

Other significant expenses by type include facilities, professional services, contractors, IT equipment and data services. These expenses are also allocated to the relevant functional category.

4.7.1.3 PEXA Exchange EBITDA

PEXA Exchange EBITDA is earnings or losses before interest, taxation, depreciation and amortisation and excluding certain project and other costs. Management uses PEXA Exchange EBITDA to evaluate the operating performance of the core business prior to the impact of project and related expansion costs, other non-PEXA Exchange costs, the non-cash impact of depreciation and amortisation and interest and tax charges. PEXA Exchange EBITDA margin, which is PEXA Exchange EBITDA expressed as a percentage of total revenue, is also presented. PEXA Exchange EBITDA and PEXA Exchange EBITDA margin can also be useful to help understand the cash generation potential of the core business.

4.7.1.4 Project and expansion-related costs

Project and expansion-related costs represent costs not attributable to PEXA's core operating segment (PEXA Exchange), including costs relating to new business initiatives that have not generated and are not forecast to generate material revenue in the historical or forecast periods, except PEXA Insights, which is forecast to generate revenue of \$1.9 million in FY22. A breakdown of these project and expansion-related costs is included in Sections 4.3.3 and 4.3.6.

4.7.1.5 Other non-PEXA Exchange costs

On a pro forma basis, other non-PEXA Exchange related costs include costs associated with the MEP, restructure costs and capital structure costs. A breakdown of these other non-PEXA Exchange related costs is included in Sections 4.3.3 and 4.3.6.

4.7.1.6 Depreciation and amortisation

Depreciation is a non-cash expense that predominantly relates to the ongoing use of PEXA's fixed asset base, including items such as IT equipment, furniture and leasehold improvements that have been capitalised. Depreciation expense is based on an existing useful life profile, with any new capital expenditure being depreciated over its useful life in accordance with PEXA's accounting policies.

Amortisation is a non-cash expense that relates to internally generated intangible assets, which is primarily related to capitalised employee costs and capitalised third party expenses related to the development of the PEXA Exchange and other in-house software intangible assets. After the PEXA Acquisition the estimated useful life of the PEXA Exchange intangible asset was changed from five years to 15 years to reflect the expected minimal changes to the interfaces and integrations to regulatory and financial systems over the next 15 years and align with industry adopted useful lives of software platforms used in similar Australian registry and exchange businesses. The useful life of other in-house software assets such as PEXA Key remained at five years reflecting expected development profile over the five years from acquisition. The PEXA Exchange intangible asset had a written down value of \$40 million at the time of the PEXA Acquisition and the change of estimated useful life has resulted in annual amortisation reducing from \$8.0 million annually to \$2.7 million.

4.7.1.7 Acquired amortisation

Acquired amortisation is a non-cash expense that relates to the intangible assets recognised at the time PEXA acquired PEAL. These assets include in-house software, customer assets and brand. Amortisation is based on the remaining useful life at the time of acquisition.

4.7.1.8 Net finance income/(expense)

Net finance income/(expense) includes both interest income generated on cash balances and interest expense relating to debt.

4.7.1.9 Capitalised development costs and other capital expenditure

PEXA capitalises product development costs related to the development of new products or significant enhancements to existing products. Expenses capitalised are directly attributable to development, can be measured reliably and future economic benefits are probable. The majority of these capitalised costs have been disclosed in the Intangible Assets line in Figure 59. All other product development costs are expensed through the income statement.

The majority of the development expenditure in the historical periods has been focused on developing functionality, building new instruments to expand the available transaction types and rolling out the PEXA Exchange platform to new States. Development costs in the forecast periods continue to include a significant investment in the PEXA Exchange platform to expand the instruments that can be processed through the platform and the roll out of the PEXA Exchange to ACT (scheduled to be live by the end of FY21), TAS and the NT. There is also continued investments in cyber security, improving the useability of the PEXA Exchange platform and in developing customer tools to provide adjacent and complimentary Exchange products and services.

4.7.1.10 Taxation

As a result of investing through the growth phase of the business, PEXA has generated carried forward tax losses across the periods of the Historical Financial Information. As at 31 December 2020, PEXA recognised a deferred tax asset in respect of carried forward losses of \$102.8 million (carried forward losses of \$342.7 million tax-effected at 30% corporate tax rate) and carried forward non-refundable R&D tax offsets of \$18.9 million, which will be used to reduce its future taxable income and future income tax payable respectively (subject to satisfaction of loss recoupment rules under Australian tax law). PEXA's ability to utilise its tax losses and R&D tax offsets against any future taxable income or income tax payable is subject to the ongoing satisfaction of the loss recoupment and eligibility rules, namely the continuity of ownership test, or failing that, the business continuity test. The rate at which certain carried forward tax losses can be utilised is also subject to an available fraction. The available fraction applies to carried forward losses transferred from PEAL to PEXA on acquisition and limits the annual rate the carried forward transferred tax losses can be used to offset future taxable income. PEXA's carried forward Group tax losses and carried forward non-refundable R&D tax offsets are not subject to an available fraction.

Torrens Group Holdings Pty Ltd recognised a net deferred tax liability to the extent of \$20.2 million in respect of its carried forward tax losses and temporary differences in its financial statements for the year ended 31 December 2020. PEXA management will continue to review and assess the carrying value of the deferred tax assets and liabilities in accordance with AAS, subject to projected future profit forecasts and the ongoing satisfaction of the loss recoupment and eligibility rules.

All of PEXA's revenue is generated and most of its costs are incurred in Australia, which has a corporate tax rate of 30%.

4.7.2. Pro Forma Historical Income Statements period comparison

4.7.2.1 Pro Forma Historical Income Statements: FY19 compared to FY18

Figure 69 sets out the Pro Forma Historical Income Statements for FY19 compared to FY18.

Figure 69: Comparison of Pro Forma Historical Income Statements for FY18 and FY19

\$ millions		Pro Forma Historical			
Year ended 30 June	FY18	FY19	Change (\$)	Change (%)	
Revenue	39.0	109.1	70.2	180%	
Cost of sales	(11.5)	(22.8)	(11.3)	(98%)	
Gross profit	27.5	86.3	58.9	214%	
Product design and development	(16.2)	(22.6)	(6.3)	(39%)	
Sales and marketing	(20.7)	(25.5)	(4.8)	(23%)	
General and administration	(32.1)	(68.4)	(36.3)	(113%)	
Operating expenses	(69.0)	(116.5)	(47.5)	(69%)	
PEXA Exchange EBITDA	(41.6)	(30.2)	11.4	27%	
Project and expansion related costs	–	–	–	–	
Other non-PEXA Exchange costs	–	(3.6)	(3.6)	–	
EBITDA	(41.6)	(33.8)	7.8	19%	
Depreciation	(1.8)	(2.0)	(0.2)	(10%)	
Amortisation	(9.2)	(1.7)	7.5	81%	
EBITA	(52.6)	(37.5)	15.0	29%	
Acquired amortisation	(56.7)	(56.7)	–	–	
EBIT	(109.2)	(94.2)	15.0	14%	
Net finance income/(expense)	1.6	2.6	1.0	61%	
Profit/(loss) before tax	(107.7)	(91.7)	16.0	15%	
Income tax benefit/(expense)	39.9	22.0	(17.9)	(45%)	
NPAT	(67.8)	(69.7)	(1.9)	(3%)	

On a pro forma basis, revenue increased by \$70.2 million, or 180%, from \$39.0 million in FY18 to \$109.1 million in FY19.

The increase in pro forma historical revenue was primarily driven by the factors below:

- PEXA's total addressable market decreased by 0.31 million transactions from 3.87 million in FY18 to 3.56 million in FY19, which equated to a revenue decrease of \$4.0 million.
- PEXA's market share increased from 21% to 49% of the total addressable market as e-conveyancing mandates came into effect in Victoria and Western Australia on eligible transfer transactions during FY19. The uplift in market share resulted in 1.76 million PEXA Exchange transactions completed in FY19, compared to 0.80 million PEXA Exchange transactions in FY18. This uplift equated to a revenue increase of \$62.7 million.
- Average PEXA Exchange transaction revenue increased from \$47.84 in FY18 to \$61.62 in FY19, due to an increase in the mix of higher priced transfer transaction volumes. This equated to a revenue increase of \$11.0 million.

Pro forma historical cost of sales increased by \$11.3 million, or 98%, from \$11.5 million in FY18 to \$22.8 million in FY19, driven by the PEXA Exchange transaction volume growth during the period. The average pro forma historical cost of sales per transaction reduced from \$14.32 in FY18 to \$12.98 in FY19 and pro forma historical gross margin percentage improved from 70.5% in FY18 to 79.1% in FY19, reflecting a higher gross margin as the proportion of multi-party transactions increased.

Pro forma historical product design and development expenses increased by \$6.3 million, or 39%, from \$16.2 million in FY18 to \$22.6 million in FY19, primarily as a result of growth in headcount from 83 to 102 in this function to support the PEXA Exchange and customer tools such as PEXA Plus and PEXA Projects. In addition, third party hosting, support and licensing costs increased over the period by \$3.2 million as AWS hosting costs and database licencing costs increased to manage higher number of transactions through the PEXA Exchange.

Pro forma historical sales and marketing expenses increased by \$4.8 million, or 23%, from \$20.7 million in FY18 to \$25.5 million in FY19, primarily as a result of increased staff costs associated with the expansion of the Member support team and the PEXA Direct team to support e-conveyancing transition dates.

Pro forma historical general and administration expenses increased by \$36.3 million, or 113%, from \$32.1 million in FY18 to \$68.4 million in FY19, primarily as a result of ESOP costs of \$30.1 million in FY19. In addition, there were increased staff costs of \$1.8 million from the expansion of the finance, government relations and risk and compliance functions and higher professional services costs of \$3.5 million, primarily related to transaction costs associated with the PEXA Acquisition.

Pro forma historical PEXA Exchange EBITDA improved by \$11.4 million, from a loss of \$41.6 million in FY18 to a loss of \$30.2 million in FY19. This resulted from the \$47.5 million growth in total operating expenses being more than offset by \$58.9 million of gross profit growth as PEXA continued to improve its operating leverage.

Other non-PEXA Exchange costs increased by \$3.6 million from \$nil in FY18 to \$3.6 million in FY19. Other non-PEXA Exchange costs in FY19 comprised corporate restructure and employee redundancy costs.

Pro forma historical acquired amortisation resulting from the PEXA Acquisition completed in FY19 remained flat at \$56.7 million in both FY18 and FY19 as pro forma adjustments were made in both years to reflect a consistent ownership structure across the historical periods.

4.7.2.2 Pro Forma Historical Income Statements: FY20 compared to FY19

Figure 70 sets out the Pro Forma Historical Income Statements for FY20 compared to FY19.

Figure 70: Comparison of Pro Forma Historical Income Statements for FY19 and FY20

\$ millions	Pro Forma Historical			
	FY19	FY20	Change (\$)	Change (%)
Year ended 30 June				
Revenue	109.1	155.6	46.5	43%
Cost of sales	(22.8)	(23.0)	(0.2)	(1%)
Gross profit	86.3	132.6	46.2	54%
Product design and development	(22.6)	(21.7)	0.8	4%
Sales and marketing	(25.5)	(21.9)	3.7	14%
General and administration	(68.4)	(37.4)	31.0	45%
Operating expenses	(116.5)	(81.0)	35.5	30%
PEXA Exchange EBITDA	(30.2)	51.6	81.8	271%
Project and expansion related costs	–	(2.1)	(2.1)	–
Other non-PEXA Exchange costs	(3.6)	(4.1)	(0.5)	(12%)
EBITDA	(33.8)	45.3	79.2	234%
Depreciation	(2.0)	(2.4)	(0.4)	(19%)
Amortisation	(1.7)	(3.4)	(1.6)	(94%)
EBITA	(37.5)	39.6	77.2	206%
Acquired amortisation	(56.7)	(56.7)	–	–
EBIT	(94.2)	(17.0)	77.2	82%
Net finance income/(expense)	2.6	1.9	(0.6)	(24%)
Profit/(loss) before tax	(91.7)	(15.1)	76.5	84%
Income tax benefit/(expense)	22.0	10.6	(11.3)	(52%)
NPAT	(69.7)	(4.5)	65.2	94%

On a pro forma basis, revenue increased by \$46.5 million, or 43%, from \$109.1 million in FY19 to \$155.6 million in FY20.

The increase in pro forma historical revenue was primarily driven by the factors below:

- PEXA's total addressable market decreased by 0.02 million transactions from 3.56 million in FY19 to 3.54 million in FY20, which equated to a decrease in revenues of \$0.5 million.
- PEXA's market share increased from 49% in FY19 to 68% in FY20, representing an increase of 0.66 million PEXA Exchange transactions, which equated to an increase in revenues of \$42.7 million.
- Pro forma historical average revenue per PEXA Exchange transaction increased from \$61.62 in FY19 to \$63.47 in FY20, due to a higher mix of higher priced transfer transactions. This equated to a revenue increase of \$3.2 million.
- Customer tools revenue increased from \$0.9 million in FY19 to \$1.9 million in FY20, which was predominantly driven by PEXA Plus and PEXA Exchange data products.

Pro forma historical cost of sales increased by \$0.2 million, or 1%, from \$22.8 million in FY19 to \$23.0 million in FY20, driven by an increase in LSS fees of \$4.4 million and Lodgement gap cover of \$0.7 million due to PEXA Exchange transaction volume growth, offset by a \$5.1 million reduction in Sponsorship fees as Sponsorship agreements ended in July 2019. The average pro forma historical cost of sales per transaction decreased from \$12.98 in FY19 to \$9.51 in FY20 and pro forma historical gross margin percentage improved from 79.1% in FY19 to 85.2% in FY20, reflecting the impact of the end of the Sponsorship agreements and a higher gross margin as the proportion of multi-party transactions increased.

Pro forma historical product design and development expenses decreased by \$0.8 million, or 4%, from \$22.6 million in FY19 to \$21.7 million in FY20, primarily due to lower staff related costs driven by a restructure of Product and Technology management.

Pro forma historical sales and marketing expenses decreased by \$3.7 million, or 14%, from \$25.5 million in FY19 to \$21.9 million in FY20, primarily as a result of reduced staff related costs with planned reductions in the size of the PEXA Direct team following the successful transition to e-conveyancing in Victoria and New South Wales and lower travel and event related costs due to the impact of COVID-19.

Pro forma historical general and administration expenses decreased by \$31.0 million, or 45%, from \$68.4 million in FY19 to \$37.4 million in FY20, primarily as a result of the inclusion of ESOP costs of \$30.1 million in FY19, slightly offset by an increase in staff related costs, due to additional headcount in government relations and corporate development.

Pro forma historical PEXA Exchange EBITDA improved by \$81.8 million from a loss of \$30.2 million in FY19 to a profit of \$51.6 million in FY20. This is related to the combination of the \$46.2 million gross profit growth and the \$35.5 million operating expense reduction as PEXA continued to improve its operating leverage.

Project and expansion related costs increased from \$nil in FY19 to \$2.1 million in FY20 driven by expenditure relating to international expansion of \$1.2 million and PEXA Insights of \$0.8 million. Other non-PEXA Exchange costs increased by \$0.5 million from \$3.6 million in FY19 to \$4.1 million in FY20. The increase in other non-PEXA Exchange costs was driven by non-recurring professional fees of \$0.5 million relating to a return of capital to Shareholders.

Pro forma historical acquired amortisation resulting from the PEAL acquisition completed in FY19 remained flat at \$56.7 million in both FY19 and FY20 as pro forma adjustments were made to FY19 to reflect a consistent ownership structure across the historical periods.

4.7.2.3 Pro Forma Historical Income Statements: 1H FY21 compared to 1H FY20

Figure 71 sets out the Pro Forma Historical Income Statements for 1H FY21 compared to 1H FY20.

Figure 71: Comparison of Pro Forma Historical Income Statements for 1H FY20 and 1H FY21

\$ millions	Pro Forma Historical			
	1H FY20	1H FY21	Change (\$)	Change (%)
Year ended 30 June				
Revenue	78.7	99.7	21.0	27%
Cost of sales	(11.8)	(13.9)	(2.2)	(19%)
Gross profit	66.9	85.7	18.8	28%
Product design and development	(10.7)	(10.4)	0.2	2%
Sales and marketing	(12.0)	(9.6)	2.5	21%
General and administration	(20.2)	(18.5)	1.7	8%
Operating expenses	(42.9)	(38.5)	4.4	10%
PEXA Exchange EBITDA	24.1	47.3	23.2	96%
Project and expansion related costs	(0.1)	(2.3)	(2.2)	(1,475%)
Other non-PEXA Exchange costs	(1.2)	(0.8)	0.4	36%
EBITDA	22.7	44.2	21.5	94%
Depreciation	(0.9)	(1.2)	(0.3)	(27%)
Amortisation	(1.1)	(3.1)	(2.0)	(181%)
EBITA	20.7	39.9	19.2	93%
Acquired amortisation	(28.5)	(28.4)	0.1	0%
EBIT	(7.8)	11.5	19.3	248%
Net finance income/(expense)	0.9	(16.5)	(17.4)	(1,883%)
Profit/(loss) before tax	(6.9)	(5.0)	1.9	27%
Income tax benefit/(expense)	1.9	1.2	(0.7)	(38%)
NPAT	(4.9)	(3.8)	1.1	23%

On a pro forma basis, revenue increased by \$21.0 million, or 27%, from \$78.7 million in 1H FY20 to \$99.7 million in 1H FY21.

The increase in pro forma historical revenue was primarily driven by the factors below:

- PEXA's total addressable market increased by 9%, or 0.17 million transactions from 1.83 million in 1H FY20 to 2.00 million in 1H FY21, which equates to an increase in revenues of \$6.9 million.
- PEXA's share of the total addressable market increased by 11%, resulting in 1.54 million PEXA Exchange Transactions completed in 1H FY21, an increase of 0.34 million on the 1.20 million PEXA Exchange transactions in 1H FY20. This equated to an increase in revenues of \$14.6 million. Market share increases were driven by South Australia's transitions to e-conveyancing for all eligible transactions on 3 August 2020 and the impact of COVID-19 accelerated adoption of e-conveyancing in Queensland.
- Pro forma historical average revenue per PEXA Exchange transaction reduced marginally from \$64.6 in 1H FY20 to \$64.1 in 1H FY21, which equated to a decrease in revenues of \$0.6 million. This was predominantly driven by Queensland discounts.

Pro forma historical cost of sales increased by \$2.2 million, or 19%, from \$11.8 million in 1H FY20 to \$13.9 million in 1H FY21, driven by the PEXA Exchange transaction volume growth during the period. The average pro forma historical cost of sales per transaction decreased slightly from \$9.77 in 1H FY20 to \$9.06 in 1H FY21 and pro forma historical gross margin percentage improved from 85.1% in 1H FY20 to 86.0% in 1H FY21, reflecting a higher gross margin as the proportion of multi-party transactions increased.

Pro forma historical product design and development expenses decreased by \$0.2 million, or 2%, from \$10.7 million in 1H FY20 to \$10.4 million in 1H FY21, primarily as a result of lower AWS hosting costs driven by enterprise price discounts.

Pro forma historical sales and marketing expenses decreased by \$2.5 million, or 21%, from \$12.0 million in 1H FY20 to \$9.6 million in 1H FY21, primarily due to lower travel and event related costs due to the impact of COVID-19.

Pro forma historical general and administration expenses decreased by \$1.7 million, or 8%, from \$20.1 million in 1H FY20 to \$18.4 million in 1H FY21, primarily as a result of lower staff related costs for strategy and corporate development of \$1.0 million as resources were transferred to manage new business initiatives such as PEXA Insights and PEXA International.

Pro forma historical PEXA Exchange EBITDA improved by \$23.2 million, or 96%, from \$24.2 million in 1H FY20 to \$47.3 million in 1H FY21. This reflects the combination of the \$18.8 million gross profit growth and the \$4.4 million operating expense reduction as PEXA continued to improve its operating leverage.

Project and expansion related costs increased from \$0.1 million in 1H FY20 to \$2.3 million in 1H FY21 driven by spend relating to international expansion of \$1.8 million and PEXA Insights of \$0.5 million. Other non-PEXA Exchange costs declined by \$0.4 million from \$1.2 million in 1H FY20 to \$0.8 million in 1H FY21.

4.7.3. Pro Forma Historical Cash Flows period comparison

4.7.3.1 Pro Forma Historical Cash Flows: FY19 compared to FY18

Figure 72 sets out the Pro Forma Historical Cash Flows for FY19 compared to FY18.

Figure 72: Comparison of Pro Forma Historical Cash Flows for FY18 and FY19

\$ millions	Pro Forma Historical			
	FY18	FY19	Change (\$)	Change (%)
Year ended 30 June				
EBITDA	(41.6)	(33.8)	7.8	19%
Non-cash items in EBITDA	3.2	–	(3.2)	(100%)
ESOP settlement	–	(3.2)	(3.2)	–
Changes in working capital	(2.3)	12.2	14.4	638%
Interest received	2.1	3.1	1.0	46%
Interest paid	–	–	–	–
Lease payments	(1.6)	(1.7)	(0.1)	(3%)
Operating cash flow	(40.2)	(23.4)	16.8	42%
Acquisition of intangible assets	(17.6)	(21.7)	(4.1)	(23%)
Acquisition of PP&E	(0.3)	(1.1)	(0.8)	(246%)
Investment in other financial assets – Term Deposits	(2.2)	2.2	4.3	200%
Free cash flow	(60.3)	(44.1)	16.2	27%

On a pro forma basis, free cash flows improved from a net outflow of \$60.3 million in FY18 to a net outflow of \$44.1 million in FY19, an improvement of \$16.2 million.

The primary factors that impacted the change in free cash flows, on a pro forma basis include:

- EBITDA improving by \$7.7 million from a loss of \$41.6 million in FY18 to a loss of \$33.8 million in FY19 driven by a \$58.9 million year on year gross profit increase, for the reasons set out in Section 4.7.2.1. This was partially offset by increased operating expenditure of \$47.5 million in FY19 which included \$30.1 million in costs relating to the close-out of the historical ESOP and increased operational expenses to support E-conveyancing transition dates across Victoria, New South Wales and Western Australia;
- non-cash items in EBITDA decreasing by \$3.2 million from \$3.2 million in FY18 to \$nil in FY19;
- working capital improved by \$14.4 million driven by an increase in trade payables and accruals in FY19;
- interest received increased by \$1.0 million due to higher cash balances held in FY19 compared to FY18; and
- acquisition of intangible assets and acquisition of PP&E increased by \$4.1 million and \$0.8 million respectively in FY19 as investment in PEXA customer tools such as PEXA Key, PEXA Plus and PEXA Projects increased.

4.7.3.2 Pro Forma Historical Cash Flows: FY20 compared to FY19

Figure 73 sets out the Pro Forma Historical Cash Flows for FY20 compared to FY19.

Figure 73: Comparison of Pro Forma Historical Cash Flows for FY19 and FY20

\$ millions Year ended 30 June	Pro Forma Historical			
	FY19	FY20	Change (\$)	Change (%)
EBITDA	(33.8)	45.3	79.2	234%
Non-cash items in EBITDA	–	–	–	–
ESOP settlement	(3.2)	–	3.2	100%
Changes in working capital	12.2	(4.5)	(16.6)	(137%)
Interest received	3.1	2.5	(0.6)	(19%)
Interest paid	–	–	–	–
Lease payments	(1.7)	(2.0)	(0.3)	(16%)
Operating cash flow	(23.4)	41.4	64.9	277%
Acquisition of intangible assets	(21.7)	(18.9)	2.8	13%
Acquisition of PP&E	(1.1)	(0.2)	0.9	79%
Investment in other financial assets – Term Deposits	2.2	–	(2.2)	(100%)
Free cash flow	(44.1)	22.3	66.4	151%

On a pro forma basis, free cash flows increased by \$66.4 million, from a net outflow of \$44.1 million in FY19 to a net inflow of \$22.3 million in FY20.

The primary factors that impacted the change in free cash flows, on a pro forma basis include:

- EBITDA improving by \$79.2 million from a loss of \$33.8 million in FY19 to a profit of \$45.3 million in FY20 as revenue increased by \$46.5 million from year to year while operating expenses decreased by \$35.6 million from year to year, for the reasons set out in Section 4.7.2.2;
- negative working capital movement of \$16.6 million driven by the reduction in trade payables and accruals from FY19 to FY20;
- interest received decreased by \$0.6 million due to lower cash balances held in FY20 compared to FY19; and
- acquisition of intangible assets and acquisition of PP&E decreasing by \$2.8 million and \$0.9 million respectively in FY20 as PEXA Exchange development costs reduced with the platform being rolled out to most States and the majority of documents now built.

4.7.3.3 Pro Forma Historical Cash Flows: 1H FY21 compared to 1H FY20

Figure 74 sets out the Pro Forma Historical Cash Flows for 1H FY21 compared to 1H FY20.

Figure 74: Comparison of Pro Forma Historical Cash Flows for 1H FY20 and 1H FY21

\$ millions	Pro Forma Historical			
	1H FY20	1H FY21	Change (\$)	Change (%)
Year ended 30 June				
EBITDA	22.7	44.2	21.5	94%
Non-cash items in EBITDA	–	0.3	0.3	–
Changes in working capital	(9.9)	(1.9)	8.0	80%
Interest received	1.3	0.4	(0.9)	(68%)
Interest paid	–	(1.3)	(1.3)	–
Lease payments	(1.4)	(1.0)	0.3	23%
Operating cash flow	12.8	40.6	27.9	218%
Acquisition of intangible assets	(10.1)	(10.0)	0.1	1%
Acquisition of PP&E	(0.2)	(0.1)	0.1	49%
Free cash flow	2.5	30.6	28.0	1,108%

On a pro forma basis, free cash flows increased by \$28.0 million, from a net inflow of \$2.6 million in 1H FY20 to \$30.6 million in 1H FY21.

The primary factors that impacted the change in free cash flows, on a pro forma basis include:

- EBITDA improving by \$21.5 million from \$22.7 million in 1H FY20 to \$44.2 million in 1H FY21 mainly driven by a revenue increase of \$21.0 million from 1H FY20 to 1H FY21;
- working capital improving by \$8.0 million driven by favourable movements in trade payables and accruals; and
- interest received decreasing by \$0.9 million due to a drop in interest rates from 1H FY20 to 1H FY21.

4.8. Forecast Financial Information

The Forecast Financial Information is based on various specific and general assumptions. In preparing the Forecast Financial Information, PEXA has undertaken an analysis of historical performance and cash flows and applied assumptions where appropriate in order to forecast future performance and cash flows for FY21 and FY22. The Directors believe that PEXA has prepared the Forecast Financial Information with due care and attention and considers all assumptions when taken as a whole to be reasonable at the time of preparing this Prospectus. However, actual results are likely to vary from those forecasts and any variation may be materially positive or negative.

The assumptions upon which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of PEXA and its Directors, and are not reliably predictable. Accordingly, none of PEXA, its Directors or any other person can give any assurance that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information. The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 4.11 and the risk factors set out in Section 5 of this Prospectus.

4.8.1. General Assumptions

In preparing the Forecast Financial Information for FY21 and FY22, the Directors have adopted the following general assumptions:

- no significant acquisitions or disposals occur;
- no material financial impact as a result of any change in the competitive environment in which PEXA operates;
- no significant deviation from current market expectations of Australian economic conditions relevant to the industry in which PEXA operates, including business confidence, consumer sentiment, economic growth, inflation, fiscal and taxation policies;
- no significant deviation from current market expectations of the easing of the Australian residential property market in FY22, as the impact of the policy support and the COVID-19 pandemic fades³. Historically, an easing in the momentum in house prices and auction clearance rates has been accompanied by a softening of transaction volumes;
- no significant interruptions, industry disturbances or disruptions in relation to PEXA technology, platform, software solutions or operations other than as specifically set out in this Prospectus;
- no material amendment to any material agreement or arrangement relating to PEXA business, nor any material change in licences and licence providers relating to PEXA business other than as specifically set out in this Prospectus;
- no material environmental costs;
- no material cash flow or financial performance impact in relation to litigation (existing or otherwise);
- no material changes in key personnel, including key management personnel, and PEXA is able to continue to recruit and retain personnel which will be required to support future growth of PEXA;
- no material change in PEXA's corporate or funding structure other than as contemplated by this Prospectus;
- the Offer proceeds in accordance with the timetable set out in the Information section of this Prospectus;
- no material change in applicable AAS, the Corporations Act or other mandatory professional reporting requirements which has a material effect on PEXA financial performance or cash flows, financial position, accounting policies, or financial reporting or disclosures; and
- none of the key risks listed in Section 5 occurs, or if they do, none of them has a material adverse impact on PEXA operations.

4.8.2. Specific Assumptions

The Forecast Financial Information is based on various best estimate specific assumptions, including those set out below. In preparing the Forecast Financial Information, PEXA has analysed historical performance and cash flows including the current rates of revenue and expenses and applied assumptions, where appropriate, across the business.

3. BIS Oxford Market Report (May 2021).

4.8.2.1 Revenue Assumptions

The Forecast Financial Information is based on the following key revenue assumptions:

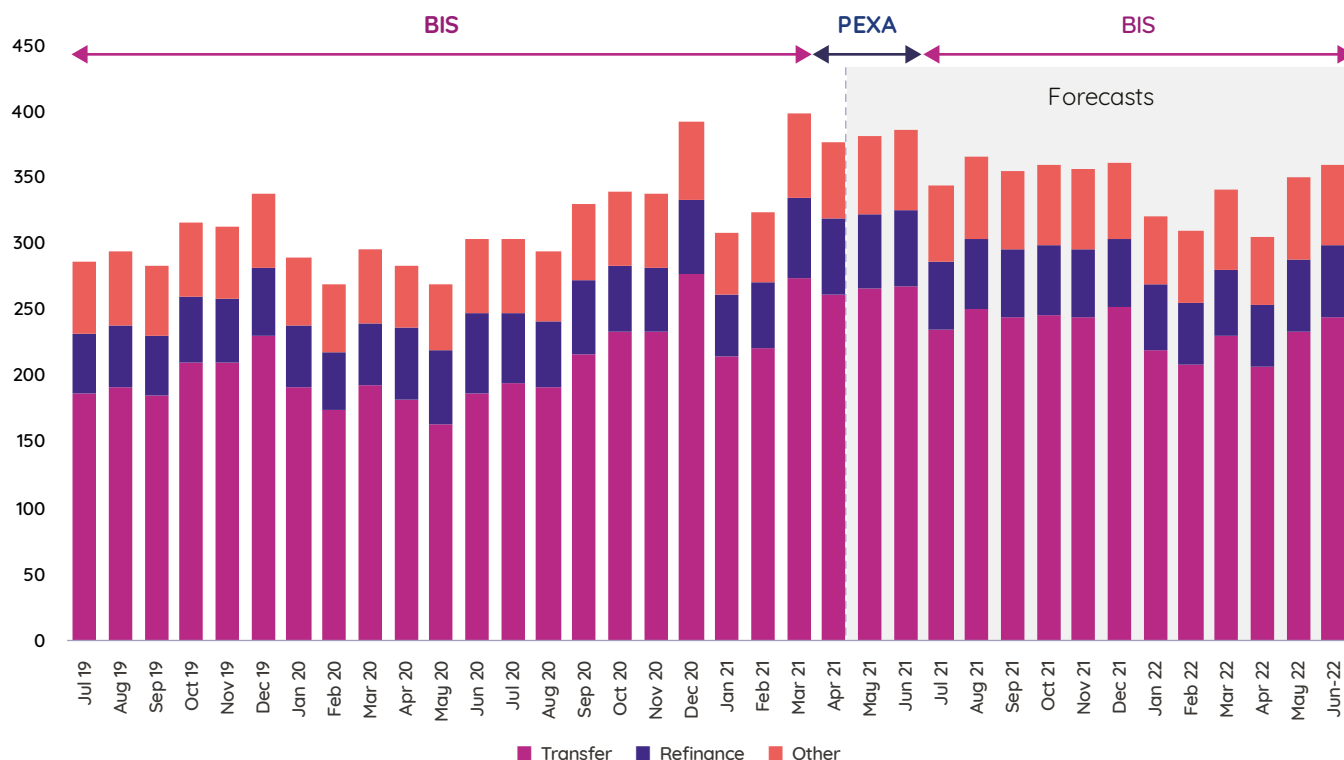
Revenue

Revenue is forecast on a product by product basis for each State, based on the following key revenue assumptions:

- The market volumes in Australia for FY21 are based on BIS Oxford's estimates for July 2020 to March 2021 and PEXA management estimates for April, May and June 2021. The market volumes for FY22 are based on BIS Oxford's forecast. Market volumes are forecast to decrease by 0.04 million, or 1%, from 4.18 million transactions in FY21 to 4.14 million transactions in FY22.
- PEXA has applied market share assumptions on a State-by-State, per transaction basis. Market share reflects historical uptake rates for States where PEXA platforms are operational due to increased certainty within these States.
- For States yet to have an e-conveyancing mandate, namely QLD and ACT, PEXA management forecasts uptake rates based on historical uptake in other States prior to e-conveyancing mandate. QLD transfer uptake is forecast to grow from an annual average of 13% in FY20, to 54% in FY21 and an average of 73% in FY22 assuming 80% market share is reached by June 2022. Similarly, management forecast to commence operating in ACT by the end of FY21 with an average uptake rate of 10%.
- Given the visibility in respect of PEXA Exchange transactions for the remainder of FY21, PEXA has based its FY21 forecasts on its own management estimates of PEXA Exchange transactions for the remainder of the period. PEXA has adopted BIS Oxford's forecasts as the basis of its FY22 forecast, PEXA Exchange transactions are forecast to increase from 3.3 million transactions in FY21 to 3.5 million transactions in FY22.
- BIS Oxford's forecast of market volumes for FY22 does not take into account changes to stamp duty announced in the Victorian State Government budget on 20 May 2021. The changes include a 1.0% increase in the rate of duty payable on transactions over \$2 million (on the amount over \$2 million) and the extension of a range of concessions for certain transactions with a value of \$1 million or lower. PEXA does not believe that these changes will result in a material change to the expected level of property transactions in Victoria in the remainder of FY21 or in FY22.
- Contracted inflation-linked increases in standard pricing as per agreements with financial institutions and other Members to the PEXA Platform. FY22 increases of 1.1% are based on the last 12 months to March 2021 CPI, assuming contracted inflation-linked price increases are implemented across all products and States.
- FY22 does not take into account any potential changes resulting from the ongoing interoperability review or associated legislation or agreements.
- PEXA's growth opportunities in respect of PEXA International, PEXA Insights and PEXA Ventures are in their early stages and are forecast to generate losses in FY21 and FY22. Accordingly, the \$0.1 million and \$1.9 million in revenues forecast from PEXA Insights in FY21 and FY22, respectively, is reported below PEXA Exchange EBITDA in this Prospectus.
 - The assumption as to forecast revenues from PEXA Insights is based on the development of the 'Property Bureau' and four core products which are contained in the forecast revenues. One of these products is in the design phase, two products are in the discovery phase with interest or letters of intent from prospective clients and preparing for regulatory approvals, and the fourth product is in the concept phase (see Section 3.4.2 for further information).
- The BIS Market Report predicts that the strong growth in Australian market volumes experienced in FY21 may not continue in FY22 given current market expectations of the easing of the Australian residential property market as the impact of the policy support and the distortions created by the COVID-19 pandemic fade. BIS Oxford notes that historically, an easing in the momentum in house prices and auction clearance rates has been accompanied by a softening of market volumes. Notwithstanding the cyclical factors that are expected to impact Australian market volumes in FY22, PEXA's number of Exchange transactions is expected to continue to grow in FY22 given increased market penetration, albeit the growth in PEXA Exchange transactions is assumed to be at a slower rate relative to FY21.

The chart below shows forecast market volumes for FY20 to FY22 including a breakdown of product mix.

Figure 75: Monthly market volumes for FY20 to FY22 ('000s)



Note: FY20 monthly market volumes are based on BIS Oxford's estimates. FY21 monthly market volumes are based on BIS Oxford's estimates for July 2020 to March 2021 and PEXA management estimates for April, May and June 2021. FY22 monthly market volumes are based on BIS Oxford's forecast.

4.8.2.2 Expense Assumptions

The Forecast Financial Information is based on the following key expense assumptions and allocated to functional expense categories on a consistent basis with the historical financial results and cash flows:

- cost of sales – is forecast to increase due to the assumed PEXA Exchange transaction volume growth. As PEXA incurs cost of sales on a per Lodgement basis rather than per each PEXA Exchange transaction, an increase in multi-party transactions results in a favourable impact on gross margin;
- product design and development expenses – primarily relates to personnel and related costs (including salaries, benefits, bonuses, payroll tax), third party costs associated with product design, development and computer-related expenditure. Costs are forecast to materially increase, reflecting new and continued investment in:
 - the PEXA Exchange, specifically enhancements to improving Member experience, connection into the Exchange, and further roll-out (and support) for each State;
 - PEXA Insights facilitating new products, including employment of management, product development, technology and product services roles in FY22 and capitalised resource costs of \$4.9 million relating to the development of data and cloud architecture, data governance and processes, data engineering and various data products; and
 - PEXA International initiatives, including initial product sales to support the deployment and commencement of a pilot program in calendar year 2022 and capitalised resource and third party costs of \$15.3 million in FY22 (including ThoughtWorks);
- sales and marketing expenses – primarily relates to personnel and related costs (including salaries, benefits, bonuses, payroll tax) directly associated with the sales and marketing team (including the PEXA Direct team and call centre support team) activities to acquire new customers and grow revenue from existing customers. Expenditure has been forecast at a level sustaining normal (i.e. including face-to-face events) levels in the PEXA Exchange;

- general and administration expenses – include personnel and related costs (including salaries, benefits, bonuses, payroll tax) for the PEXA executive team, finance, legal, human resources and administration employees. These expenses also include professional fees for legal, accounting, tax and other services and occupancy, travel, administration and Board costs. Forecast costs exhibit limited growth with benefits of scale allowing costs to grow at a lower rate;
- incremental public company costs – reflect the estimate of the incremental annual costs that PEXA will incur as a listed public entity, including Chairman and other Non-Executive Director remuneration, additional audit and legal costs, listing fees, share registry costs, Directors' and officers' insurance premiums as well as investor relations, annual general meeting and annual reporting costs;
- Offer costs – \$49.8 million of costs are forecast of which \$7.9 million (before tax) is directly attributable to the issue of new Shares by PEXA and is offset against contributed equity raised in the Offer. The remaining \$41.9 million (before tax) relates to the sale of existing Shares by the Existing Shareholders and is expensed in the Statutory Forecast Income Statements. The Pro Forma Forecast Income Statements exclude these costs;
- depreciation – based on the actual asset base as at 31 December 2020 and new capital investment less assets which have reached the end of their useful lives;
- amortisation – based on the level of capitalised intangible assets as at 31 December 2020 and forecast capitalisation of development costs. No impairment of previously capitalised costs is expected;
- acquired amortisation – based on the remaining useful life of intangible assets recognised at the time PEXA acquired PEAL;
- net finance income/(expense) – reflects the assumed interest income on expected cash balances less the assumed finance costs associated with bank guarantees, interest on shareholder loans and finance costs of debt on listing;
- gains or losses – nil assumed in the forecast periods from the disposal of any asset; and
- income tax expense – reflects the known unwind of existing deferred tax asset/deferred tax liability balances and forecast utilisation of PEXA's losses available upon listing. Tax calculations are based on the corporate tax rate of 30% in Australia.

With the exception of external adviser costs relating to ongoing interoperability consultations, costs associated with any interoperability requirements have not been assumed for FY22 on the basis that the framework has not yet been agreed by the various stakeholders. While PEXA's enterprise architects are continuing to work through regulatory developments and technology related build costs and PEXA expects that the costs of these changes will need to be shared by industry participants and technology related build costs are expected to be capitalised, given this work cannot be finalised until the regulatory framework and participant agreements are finalised, there is a risk of increased expenses in FY22.

4.8.2.3 Other assumptions

- changes in working capital – reflects the movements in trade and other receivables and other current assets less trade and other payables and accruals. The Forecast Financial Information assumes cash continues to be received on settlement of the PEXA Exchange Transaction and creditors continue to be paid in arrears in line with historical experience;
- changes in other assets and liabilities – reflects the movements in employee provisions and other assets and liabilities; and
- capital expenditure – is forecast to increase significantly over the forecast periods in line with the ramp up of investment in the three growth initiatives discussed above, and reflects assumed capitalised software development costs and investment in property, plant and equipment expected to be required to support the growth of the PEXA Exchange platform, customer tools and the development of new business initiatives throughout the forecast periods.

4.9. Trading update

PEXA management has prepared the following information relating to revenue based on:

- Torrens Group Holdings Pty Ltd's consolidated financial statements for the year ended 30 June 2020 and the interim financial statements for the half year ended 31 December 2020;
- unaudited management accounts for the four months ended 30 April 2021 and 30 April 2020; and
- PEXA's forecast for May and June 2021.

In addition, FY20 PEXA Exchange transactions are based on the number of historical transactions. Given the visibility management has in respect of PEXA Exchange transactions for the remainder of the financial year, FY21 PEXA Exchange transactions are based on actual transactions from July 2020 to April 2021 and management estimates for May and June 2021.

Investors should note that the financial information presented below has not been audited or reviewed.

PEXA has relied on unaudited management accounts to prepare the quarterly information for each of the quarters to 31 March 2021. Information for 4Q FY21 is a forecast based on unaudited management accounts for April 2021 and PEXA's forecast for May and June 2021. PEXA's forecast for May and June 2021 is based on PEXA estimates of transaction volumes based on lodgements and registrations to date, including actual Workspace openings to mid-May (PEXA typically has good visibility five weeks ahead based on property settlement timetables).

The financial information for 2H FY20 has been derived by subtracting revenue and transactions for 1H FY20 from the FY20 revenue and transactions, respectively. Financial information for 2H FY21 reflects the revenue and transactions of 3Q FY21 and PEXA's forecast for 4Q FY21.

Figure 76 below sets out quarterly, half yearly and annual revenue of PEXA for FY21, together with comparative financial information for FY20.

Investors should note that the Forecast Financial Information presented in this Prospectus for FY21 represents 10 months of unaudited actual financial results and cash flows through to 30 April 2021 and forecast results and cash flows for May 2021 and June 2021.

Figure 76: Comparison of quarterly, half yearly and annual revenue for FY20 and FY21

\$ millions	Note	FY20	FY21	Change (%)
Time periods		Revenue	Revenue	
1Q (July to September)		36.4	45.4	24.8%
2Q (October to December)		42.3	54.3	28.2%
3Q (January to March)		36.7	55.7	51.6%
4Q (April to June)	1	40.2	63.1	57.2%
1H (July to December)		78.7	99.7	26.7%
2H (January to June)	2	76.9	118.8	54.5%
FY	3	155.6	218.5	40.4%

Notes:

1. 4Q FY21 revenue includes actual revenue in April, and management forecast revenue for May and June.
2. 2H FY21 represents four months of actual revenue through to 30 April 2021 and forecast revenue for May and June 2021.
3. FY21 represents 10 months of actual revenue through to 30 April 2021 and forecast revenue for May and June 2021.

Figure 76 presents PEXA's revenue in FY20 and FY21 after the pricing discount in Queensland and South Australia, which equated to \$3.3 million in FY20 and is estimated to be \$8.1 million in FY21, of which \$3.4 million is expected in 2H FY21. The provision of discounted pricing to PEXA's South Australia Members ended on 30 June 2020 and to PEXA's Queensland Members will conclude on 30 June 2021.

In 3Q, revenue was \$55.7 million in FY21, which was 51.6% higher than the prior corresponding period in FY20, driven by an increase in total market volumes of 21% and an increase in market share of transfer transactions of 17%.

In 4Q, revenue is forecast to be \$63.1 million in FY21, which is 57.2% higher than the prior corresponding period in FY20, driven by an increase in total market volumes of 34% and an increase in transfer market share of 10%.

Figure 77: Comparison of quarterly, half yearly and annual PEXA Exchange transactions for FY20 and FY21

\$ millions	Note	FY20	FY21	Change (%)
Time periods		PEXA Exchange transactions	PEXA Exchange transactions	
1Q (July to September)		560	707	26.2%
2Q (October to December)		643	832	29.5%
3Q (January to March)		572	819	43.2%
4Q (April to June)	1	646	923	43.0%
1H (July to December)		1,203	1,539	28.0%
2H (January to June)	2	1,218	1,742	43.1%
FY	3	2,421	3,282	35.6%

Notes:

1. 4Q FY21 PEXA Exchange transactions include actual transactions in April, and management forecast transactions for May and June.
2. 2H FY21 includes four months of actual PEXA Exchange transactions to 30 April 2021 and forecast transactions for May and June based on management estimates.
3. FY21 includes 10 months of actual PEXA Exchange transactions to 30 April 2021 and forecast transactions for May and June based on management estimates.

Improvements in PEXA Exchange transactions in 3Q FY21 and 4Q FY21 were driven by total market volume growths and increased PEXA Exchange market share within these periods as described above.

When comparing 2H FY21 revenue to the prior corresponding period, it is important to note that the prior corresponding period from March to June 2020 was significantly impacted by lower volumes due to COVID-19 and that the recovery in residential real estate transactions observed year to date in FY21 has primarily been driven by the supportive fiscal and monetary policies deployed in the Australian economy in response to COVID-19. Accordingly, the recovery in residential real estate transactions observed year to date in FY21 should not necessarily be considered an indicator of future performance given the significant market volatility that has arisen, and may continue to arise, through the ongoing COVID-19 pandemic and recovery. Refer to the specific assumptions underlying the Forecast Financial Information relating to revenue in Section 4.8.2.1.

4.10. Management Discussion and Analysis of the Forecast Financial Information

Management discussion and analysis is presented on a pro forma basis. This is because Management believes that the Pro Forma Forecast Financial Information reflects the underlying business of PEXA that will exist following Completion and is therefore more useful to Investors in evaluating the performance of PEXA's business.

When reviewing the management discussion and analysis set forth below, Investors should consider the Statutory Forecast Financial Information set out in Sections 4.3.1 and 4.5.1, as well as the pro forma adjustments to the Statutory Forecast Financial Information and the reconciliation of the Pro Forma Forecast Financial Information to the Statutory Forecast Financial Information, as set forth in Sections 4.3.6 and 4.5.3. In addition, Investors should note that the Pro Forma Forecast Financial Information for FY21 and FY22 may not be representative of the financial performance and cash flows that the Directors expect to report in PEXA's financial statements for FY21 and FY22, and PEXA's actual financial performance and cash flows may vary from the Pro Forma Forecast Financial Information, and any such variation may be material.

4.10.1. Pro Forma Forecast Income Statements period comparison

4.10.1.1 Pro Forma Forecast Income Statements: FY21 compared to FY20

Figure 78 sets out the Pro Forma Forecast Income Statements for FY21 compared to the Pro Forma Historical Income Statements for FY20.

Figure 78: Comparison of pro forma income statements for FY20 and FY21

\$ millions	Pro Forma			
	FY20	FY21	Change (\$)	Change (%)
Year ended 30 June				
Revenue	155.6	218.5	62.9	40%
Cost of sales	(23.0)	(29.4)	(6.4)	(28%)
Gross profit	132.6	189.0	56.5	43%
Product design and development	(21.7)	(22.7)	(1.0)	(5%)
Sales and marketing	(21.9)	(20.1)	1.8	8%
General and administration	(37.4)	(38.1)	(0.7)	(2%)
Operating expenses	(81.0)	(80.9)	0.1	0%
PEXA Exchange EBITDA	51.6	108.2	56.6	110%
Project and expansion related costs	(2.1)	(6.5)	(4.3)	(202%)
Other non-PEXA Exchange costs	(4.1)	(2.0)	2.1	50%
EBITDA	45.3	99.7	54.3	120%
Depreciation	(2.4)	(2.2)	0.2	9%
Amortisation	(3.4)	(6.6)	(3.3)	(97%)
EBITA	39.6	90.9	51.3	129%
Acquired amortisation	(56.7)	(56.8)	(0.1)	(0%)
EBIT	(17.0)	34.1	51.2	300%
Net finance income/(expense)	1.9	(36.5)	(38.5)	(1,989%)
Profit/(loss) before tax	(15.1)	(2.4)	12.7	84%
Income tax benefit/(expense)	10.6	(2.2)	(12.8)	(121%)
NPAT	(4.5)	(4.6)	(0.1)	(2%)

On a pro forma basis, revenue is forecast to increase by \$62.9 million, or 40%, from \$155.6 million in FY20 to \$218.5 million in FY21.

The increase in pro forma revenue is forecast to primarily be driven by the factors below:

- market volumes are forecast to increase by 0.63 million transactions, or 18%, from 3.55 million in FY20 to 4.18 million in FY21, which equates to a forecast increase in revenues of \$28.4 million;
- PEXA's market share is forecast to increase by 10% of the total addressable market, resulting in 3.28 million PEXA Exchange transactions to be completed in FY21, an uplift of 0.86 million on the 2.42 million PEXA Exchange transactions in FY20. This equates to a revenue increase of \$28.4 million; and
- PEXA is forecasting an increase in average pro forma revenue per PEXA Exchange transaction from \$63.47 in FY20 to \$65.91 in FY21, which equates to a revenue increase of \$5.9 million.

Pro forma cost of sales is forecast to increase by \$6.4 million, or 28%, from \$23.0 million in FY20 to \$29.4 million in FY21, driven by the PEXA Exchange transaction volume growth expected during the period. The average pro forma cost of sales per transaction is forecast to decrease from \$9.51 in FY20 to \$8.97 in FY21 and pro forma gross margin percentage is forecast to increase slightly from 85% in FY20 to 87% in FY21.

Pro forma product design and development expenses are forecast to increase by \$1.0 million, or 5%, from \$21.7 million in FY20 to \$22.7 million in FY21, primarily as a result of increased resource expenses and corporate software costs.

Pro forma sales and marketing expenses are forecast to decrease by \$1.8 million, or 8%, from \$21.9 million in FY20 to \$20.1 million in FY21, due to the reduced spend on travel and customer events as a result of COVID-19 restrictions.

Pro forma general and administration expenses are forecast to increase by \$0.7 million, or 2%, from \$37.4 million in FY20 to \$38.1 million in FY21, as a result of increased headcount in corporate support related teams.

Pro forma PEXA Exchange EBITDA is forecast to improve by \$56.6 million, or 110%, from \$51.6 million in FY20 to \$108.2 million in FY21. This increase is driven by the combination of the expected \$56.5 million gross profit uplift, while operating expenses are expected to remain relatively flat, demonstrating PEXA's strong operating leverage.

Project and expansion related costs are forecast to increase by \$4.3 million, or 202%, from \$2.1 million in FY20 to \$6.5 million in FY21 as expenditure on new business initiatives starts to ramp up. International expansion expenditure is forecast to be \$4.7 million in FY21 up from \$1.2 million in FY20 while PEXA Insights spend in FY21 is forecast to increase by \$1.0 million to \$1.8 million compared to \$0.8 million in FY20. Other non-PEXA Exchange costs are forecast to decrease by \$2.6 million from \$4.2 million in FY20 to \$1.5 million in FY21. The decrease in other non-PEXA Exchange costs is driven by a \$3.3 million reduction in redundancy and restructure costs, partially offset by an increase of \$0.7 million in non-recurring professional fees relating to the debt refinancing of shareholder loans.

Pro forma net finance income/(expense) is forecast to be a cost of \$36.5 million in FY21 compared to an income of \$1.9 million in FY20, due to the implementation of shareholder loans which accrued interest from July 2020.

4.10.1.2 Pro Forma Forecast Income Statements: FY22 compared to FY21

Figure 79 sets out the Pro Forma Forecast Income Statements for FY22 compared to FY21.

Figure 79: Comparison of pro forma income statements for FY21 and FY22

\$ millions		Pro Forma		
Year ended 30 June	FY21	FY22	Change (\$)	Change (%)
Revenue	218.5	246.9	28.4	13%
Cost of sales	(29.4)	(32.0)	(2.6)	(9%)
Gross profit	189.0	214.9	25.9	14%
Product design and development	(22.7)	(24.3)	(1.5)	(7%)
Sales and marketing	(20.1)	(22.6)	(2.5)	(12%)
General and administration	(38.1)	(41.8)	(3.7)	(10%)
Operating expenses	(80.9)	(88.6)	(7.7)	(10%)
PEXA Exchange EBITDA	108.2	126.3	18.1	17%
Project and expansion related costs	(6.5)	(18.2)	(11.7)	(181%)
Other non-PEXA Exchange costs	(2.0)	(0.6)	1.4	70%
EBITDA	99.7	107.6	7.9	8%
Depreciation	(2.2)	(2.1)	0.1	4%
Amortisation	(6.6)	(9.3)	(2.6)	(40%)
EBITA	90.9	96.2	5.3	6%
Acquired amortisation	(56.8)	(56.4)	0.3	1%
EBIT	34.1	39.8	5.6	17%
Net finance income/(expense)	(36.5)	(7.4)	29.1	80%
Profit/(loss) before tax	(2.4)	32.4	34.8	1,457%
Income tax benefit/(expense)	(2.2)	(12.7)	(10.6)	(483%)
NPAT	(4.6)	19.6	24.2	530%

On a pro forma basis, revenue is forecast to increase by \$28.4 million, or 13%, from \$218.5 million in FY21 to \$246.9 million in FY22.

The increase in pro forma revenue is forecast to primarily be driven by the factors below:

- Australian market volumes are forecast to decrease by 1% from 4.17 million in FY21 to 4.13 million in FY22, which equates to a reduction in revenues of \$2.3 million.
- PEXA's market share is forecast to increase by 6%, resulting in 3.48 million PEXA Exchange Transactions completed in FY22, an uplift of 0.20 million on the 3.28 million PEXA Exchange transactions in FY21, which equates to an increase in revenues of \$16.5 million. This increase is largely driven by a forecast increase in Queensland's Transfer market share; and
- PEXA also is forecasting to benefit from an increase in average pro forma revenue per PEXA Exchange transactions from \$65.91 in FY21 to \$70.22 in FY22, which equates to a revenue increase of \$14.1 million. This increase is primarily driven by the removal of the discount offered in Queensland during FY21.

Pro forma cost of sales is forecast to increase by \$2.6 million, or 9%, from \$29.4 million in FY21 to \$32.0 million in FY22, driven by the PEXA Exchange transaction volume growth during the period. The average pro forma cost of sales per transaction is forecast to increase to \$9.19 in FY22 from \$8.97 in FY21 as a greater number of documents related to other transactions are forecast to transact via the PEXA Platform. Pro forma gross margin percentage remains largely consistent at 87% for each period (86.5% in FY21 to 87.1% in FY22).

Pro forma product design and development expenses are forecast to increase by \$1.5 million, or 7%, from \$22.7 million in FY21 to \$24.3 million in FY22, primarily as a result of increased AWS hosting costs, corporate IT costs and cyber security costs.

Pro forma sales and marketing expenses are forecast to increase by \$2.5 million, or 12%, from \$20.1 million in FY21 to \$22.6 million in FY22, as a result of increased spend on customer events and travel expenditure as the business returns to face-to-face interactions with Members.

Pro forma general and administration expenses are forecast to increase by \$3.7 million, or 10%, from \$38.1 million in FY21 to \$41.8 million in FY22, primarily as a result of increased professional fees relating to industry and regulatory engagement and additional resource costs with FY22 including full year costs for resources that commenced with the business in 2H FY21.

PEXA Exchange EBITDA is forecast to improve by \$18.1 million, or 20%, from \$108.2 million in FY21 to \$126.3 million in FY22. This is related to the combination of the forecast \$25.9 million gross profit growth offset by a \$7.7 million increase in forecast operating expenses.

Project and expansion related costs are forecast to increase by \$11.7 million, or 181%, from \$6.5 million in FY21 to \$18.2 million in FY22 as spend on new business initiatives continues to ramp up as the initiatives move towards becoming operational. International expansion expenditure is forecast to increase to \$11.0 million in FY22 up from \$4.7 million in FY21 while PEXA Insights spend in FY22 is forecast to increase to \$6.1 million compared to \$1.8 million in FY21. Other non-PEXA Exchange costs are forecast to decline from \$2.0 million to \$0.6 million in FY22 due to fewer one-off engagements expected in the forecast period.

Pro forma net finance expense is forecast to decrease by \$29.1 million, or 80%, from \$36.5 million in FY21 to \$7.4 million in FY22, reflecting lower debt levels in the business as the shareholder loan is extinguished on listing in favour of external debt facilities.

4.10.2. Pro Forma Forecast Cash Flows period comparison

4.10.2.1 Pro Forma Forecast Cash Flows: FY21 compared to FY20

Figure 80 sets out the Pro Forma Forecast Cash Flows for FY21 compared to the Pro Forma Historical Cash Flows for FY20.

Figure 80: Comparison of Pro Forma Cash Flows for FY20 and FY21

\$ millions	Pro Forma			
	FY20	FY21	Change (\$)	Change (%)
Year ended 30 June				
EBITDA	45.3	99.7	54.3	120%
Non-cash items in EBITDA	–	0.6	0.6	–
Changes in working capital	(4.5)	2.4	6.9	154%
Interest received	2.5	0.7	(1.8)	(74%)
Interest paid	–	(3.3)	(3.3)	–
Lease payments	(2.0)	(2.0)	(0.0)	(2%)
Operating cash flow	41.4	98.1	56.6	137%
Acquisition of intangible assets	(18.9)	(22.5)	(3.6)	(19%)
Acquisition of PP&E	(0.2)	(1.2)	(1.0)	(391%)
Free cash flow	22.3	74.4	52.1	234%

On a pro forma basis, free cash inflow is forecast to increase by \$52.1 million, from a \$22.3 million inflow in FY20 to \$74.4 million inflow in FY21.

The primary factors that are forecast to impact the change in free cash flow from operating and investing activities, on a pro forma basis, include:

- EBITDA improving by \$54.3 million from \$45.3 million in FY20 to \$99.7 million in FY21 primarily driven by a revenue increase of \$62.9 million from FY20 to FY21;
- working capital improving by \$6.9 million driven by an increase in accruals, both trade and employee related, over the period;
- interest received decreasing by \$1.8 million due to lower interest rates across the period; and
- increased investment into intangible assets of \$3.6 million as the business continues to build out capability in conjunction with enhancing Member experience, as well as increased acquisition of PP&E by \$1.0 million in FY21 as PEXA invests into its corporate IT systems.

4.10.2.2 Pro Forma Forecast Cash Flows: FY22 compared to FY21

Figure 81 sets out the Pro Forma Forecast Cash Flows for FY22 compared to FY21.

Figure 81: Comparison of Pro Forma Cash Flows for FY21 and FY22

\$ millions	Pro Forma			
	FY21	FY22	Change (\$)	Change (%)
Year ended 30 June				
EBITDA	99.7	107.6	7.9	8%
Non-cash items in EBITDA	0.6	0.6	0.0	5%
Changes in working capital	2.4	0.8	(1.6)	(65%)
Interest received	0.7	0.5	(0.2)	(28%)
Interest paid	(3.3)	(6.9)	(3.6)	(112%)
Lease payments	(2.0)	(1.9)	0.1	5%
Operating cash flow	98.1	100.7	2.6	3%
Acquisition of intangible assets	(22.5)	(52.1)	(29.7)	(132%)
Acquisition of PP&E	(1.2)	(1.5)	(0.3)	(27%)
Free cash flow	74.4	47.0	(27.4)	(37%)

On a pro forma basis, net cash inflow is forecast to decrease by \$27.9 million, from a \$74.4 million inflow in FY21 to \$46.5 million inflow in FY22.

The primary factors that are forecast to impact the change in free cash flow from operating and investing activities, on a pro forma basis, include:

- EBITDA improving by \$7.9 million from \$99.7 million in FY21 to \$107.6 million in FY22, primarily driven by a revenue increase of \$28.4 million, offset by higher operating expenses of \$7.7 million and increased expenditure on new business initiatives of \$11.7 million;
- negative movement in working capital of \$1.6 million driven by a forecast stabilisation of working capital balances;
- interest received decreasing by \$0.2 million due to forecast low interest rates over FY22; and
- increased investment in intangible assets of \$29.7 million driven by PEXA's growth initiatives, namely International expansion (\$12.9 million), PEXA Insights (\$5.5 million), PX Ventures (\$3.6 million) as well as further enhancement of the PEXA Exchange and related internal computer systems (\$6.5 million). PP&E is forecast to increase by \$0.3 million due to investment into IT systems further enhancing working collaboratively in and outside the office.

4.11. Sensitivity Analysis

The Forecast Financial Information is based on a number of estimates and assumptions that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of PEXA, its Directors and management, and depends upon assumptions with respect to future business developments, which are subject to change.

Investors should be aware that future events cannot be predicted with certainty and as a result, deviations from the amounts forecast in this Prospectus are to be expected. To assist investors in assessing the impact of these assumptions on the pro forma forecasts, set out below is a summary of the sensitivity of the pro forma forecast gross profit and NPAT to changes in a number of key variables.

The changes in the key variables as set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced.

The sensitivity analysis is intended as a guide only and variations in actual performance could exceed the ranges shown. In addition, the sensitivity analysis for FY21 excludes the impact of the 10 months' actual trading to 30 April 2021.

Figure 82: Sensitivity analysis on FY21 and FY22 pro forma forecast gross profit

Assumption	Note	Increase/ Decrease	FY21 pro forma forecast gross profit	FY22 pro forma forecast gross profit
			Impact (\$m)	Impact (\$m)
Total market volumes in Australia	1	+/- 5%	+1.8/(1.8)	10.7/(10.7)
PEXA Exchange market share	2	+/- 5%	+1.2/(2.0)	+6.7/(12.2)
Price sensitivity	3	+/- 1%	n/a	+2.1/(2.1)

Notes:

1. Total market volumes are sensitised through the reduction and increase of forecast volumes equally across all States and all PEXA transaction types. PEXA's financial forecast for FY22 is based on BIS Oxford's forecast of market volumes of property transactions, with the number of market volumes forecast to be 4.14 million in FY22. Management notes that should the market volumes strength observed in 2H FY21 continue (on an annualised basis) into FY22, this would result in a \$12.3 million increase in FY22 pro forma forecast gross profit, equivalent to the impact of a 5.7% increase in market volumes. The BIS Market Report expects that total market volumes in Australia will decrease in FY22. Accordingly, the revenue and transaction growth observed year to date in FY21 should not necessarily be considered to be an indicator of future performance given the significant market volatility that has arisen, and may continue to arise, through the ongoing COVID-19 pandemic and recovery⁴.
2. PEXA Exchange market share has been sensitised within available bounds. The maximum sensitivity applied to a given State and product is +5%/-5%, as market share cannot exceed 100% or drop below 0%. The maximum sensitivity cannot be applied in markets where PEXA has forecast a market share above 95%. This is the key driver of the upper and lower ranges presented above.
3. Price sensitivity assumed in FY22 only as current prices continue to apply through to 30 June 2021.

4. BIS Oxford (May 2021).

Figure 83: Sensitivity analysis on FY21 and FY22 pro forma forecast NPAT

Assumption	Note	Increase/ Decrease	FY21 pro forma forecast NPAT	FY22 pro forma forecast NPAT
			Impact (\$m)	Impact (\$m)
PEXA Exchange operating expenditure	1	+/- 5%	+0.5/(0.5)	+3.1/(3.1)
Interest rate	2	+/- 100 bps	n/a	2.2/(2.2)

Notes:

1. PEXA Exchange operating expenditure has been sensitised by a flat rate of +5% and -5% and tax effected assuming a 30% tax rate.
2. Interest rate on external debt has been sensitised from a baseline margin of 1.6% plus or minus 100 bps. Amounts have been tax effected assuming a 30% tax rate.

4.12. Dividend Policy

The payment of Dividends by the Company, if any, and subject to any contractual, legal or regulatory restrictions, is at the complete discretion of the Directors, and the Directors do not provide any assurance of the future level of dividends paid by the Company. The ability to pay dividends will depend on a number of factors, many of which are beyond the control of the Company. In determining whether to declare future dividends, the Directors will have regard to PEXA's earnings, overall financial condition and capital requirements, taxation considerations (including the level of franking credits available), the general business environment, and any other factors that the Directors may consider to be relevant. The Directors do not expect to pay a dividend in respect of the FY21 financial year.

5 Key Risks

5.1. Introduction

This Section outlines some of the potential risks associated with PEXA's business and an investment in its Shares. An investment in PEXA is subject to risk factors, some of which are specific to PEXA's business activities and others that are of a more general nature. Any single risk, or a combination of these risks, may have a material adverse impact on PEXA's business, reputation, financial and operating performance, financial condition, future prospects or the value of its Shares. Moreover, the occurrence of an event or circumstance that triggers one risk may pose other risks to PEXA, including those described below, which collectively may exacerbate the impact of the risks on PEXA.

This Section does not purport to list every risk that may be associated with an investment in Shares now or in the future. Additional risks of which PEXA is unaware, or that PEXA currently considers immaterial, also have the potential to have a material adverse effect on PEXA's business, financial and operating performance, financial condition, future prospects or the value of its Shares. While PEXA seeks to manage risks to prevent adverse outcomes, some of these risks are outside the control of PEXA, its Board and management.

The selection of risks in this Section has been based on an assessment of a combination of the likelihood of the risk occurring, and the impact of the risk if it did occur. This assessment is based on the knowledge of the Board as at the Prospectus Date. There is no guarantee or assurance that the importance of these and other risks will not change or that other risks will not emerge.

There can be no guarantee that PEXA will deliver on its business strategy, or that the forecasts or any forward-looking statements contained in this Prospectus will be achieved or realised. You should note that past performance is not an indicator of future performance.

Before applying for Shares, you should read this Prospectus carefully and in its entirety, and satisfy yourself that you have a sufficient understanding of these matters and you should consider whether Shares are a suitable investment for you, having regard to your own investment objectives, financial circumstances and taxation position. If you do not understand any part of this Prospectus or are in any doubt as to whether to invest in Shares, you should seek professional advice from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest in Shares.

5.2. Business risk factors

5.2.1. Regulatory Risks

5.2.1.1 Compliance with an evolving regulatory environment

PEXA operates its business within a complex and evolving regulatory environment in Australia, and is likely to face more new and evolving regulation as PEXA's products and services expand, as well as in the international jurisdictions in which it intends to expand. Changes to laws and regulations, or their interpretation and application, can be unpredictable and are outside of PEXA's control.

The Australian regulatory environment for e-conveyancing is developing, particularly as it relates to potential market structures and operating models (refer to Section 5.2.2.1), and future regulatory treatment is uncertain. The Australian Registrars' National Electronic Conveyancing Council (**ARNECC**) is the primary e-conveyancing regulatory body established to facilitate the implementation and ongoing management of the regulatory framework for electronic conveyancing in Australia, which comprises representatives of the State and Territory land titles Registrars. The Registrars generally implement the outcomes of ARNECC processes, however they also have the power to act independently of ARNECC. PEAL is also subject to the terms of binding operating agreements of South Australia, Victoria, Western Australia and Queensland, and the approval conditions issued by the Registrar of New South Wales.

ARNECC is responsible for developing and periodically updating the Model Operating Requirements (for ELNOs) and Model Participation Rules (for subscribers), which are taken into account by the Registrars when setting out the binding operating requirements and participation rules under the Electronic Conveyancing National Law for their respective jurisdictions. ARNECC's or the Registrars' views may change and any revised requirements or rules may adversely impact PEXA's operations. New regulation may be introduced, or existing regulations amended, in relation to interoperability, price control, non-discrimination, integration, structural and operational separation, use of data, financial settlement, payments, reporting, monitoring and cloud services, as outlined in Section 10.10. The structure and role of ARNECC as an advisory and co-ordination committee may change, and PEXA may be subject to additional regulation by other authorities in the future, such as the Reserve Bank of Australia.

ARNECC is developing new rules for interoperability that may have a significant impact on PEXA's business. See Section 2.6.4. While the core technical features of the interoperability model are largely agreed, there are further elements that still need to be developed, including the cyber security requirements, business rules, inter-ELNO operational and commercial agreements, transaction economics, customer integrations and adoptions, and revised legislation and regulations will still need to be enacted. There is risk that the new laws and regulations to implement interoperability may impose additional compliance burdens and costs on PEXA and may adversely impact PEXA's financial performance. No specific provision has been made in PEXA's financial plan for the implementation costs triggered by interoperability, as the change requirements and timetable have not yet been clearly specified by ARNECC. See Section 5.2.2.1 below for a discussion of additional interoperability risks that may impact PEXA.

In addition to the regulation that is specific to the e-conveyancing industry, PEXA's business may also be affected by a range of other laws, regulations, policies, rules and potential action from regulators. These include:

- financial services and banking laws, which are regulated by a range of regulators including the Australian Securities and Investments Commission (**ASIC**), and the Reserve Bank of Australia;
- privacy and data protection laws; and
- Australia's competition and consumer laws, which are administered by the Australian Competition and Consumer Commission (**ACCC**), which has the power to investigate and, potentially, regulate PEXA's market power and pricing, which are each discussed further below.

Changes in any of these regulations, or regulators' interpretations of their applicability to PEXA's business may require PEXA to change its operations in ways that impose additional costs or reduce its ability to generate revenue, impose additional compliance costs and prevent PEXA from undertaking new business activities that may be profitable. Any actual or perceived failure by PEXA to comply with relevant laws and regulations and related agreements may result in reputational damage, the imposition of fines or other penalties, loss of subscribers and/or the revocation or suspension of PEXA's approval to operate as an ELNO in one or more jurisdictions. The costs of complying with regulation are significant and may increase in future if regulation changes.

PEXA's plan to expand its business into new areas and growth of existing products and services will expose it to new regulatory impacts, including that it may require regulatory approval from various parties, which is discussed further in Section 5.2.4.3 below. Furthermore, as the business grows, regulatory compliance may become significantly more complex and may require PEXA to develop new compliance procedures, which may not evolve at the same pace as the business, or which may not be effective.

E-conveyancing operational regulatory framework

In Australia, PEAL is required to comply with the operating requirements for ELNOs adopted by the Registrars in each State or Territory, which are generally based on the Model Operating Requirements. These operating requirements address a range of matters, which are described in detail in Section 10.10.2.4, and include price caps on ELNO service fees, restrictions on the use, disclosure, and storage of data relating to land information and structural/operational separation provisions. From time to time, PEAL may fall short of complying with these operating requirements. For example, in April 2021, ARNECC informed PEAL that it would not be issued its certificate of compliance for FY19-20

following ARNECC's assessment that PEAL was only partially compliant with the Model Operating Requirements, due to PEAL's failure to meet all required performance levels during FY19-20 and PEAL not having obtained an independent certification or a waiver from South Australia in respect of PEXA SettleAssist providing a pro bono conveyancing service during FY19-FY20. PEAL believes that it did not meet a performance level arising from a failure to remedy a 79 minute service disruption on a Saturday (which exceeded the 40 minute service recovery requirement), and separately, for PEXA SettleAssist providing a pro bono conveyancing service to a not-for-profit organisation (which technically breached the separation requirements). Any actual or perceived failure by PEAL to comply with its operating requirements may affect PEXA's ability to offer particular products and services, may require PEXA to change its corporate structure and separate one or more components of its business (see Section 5.2.4.3) and could ultimately result in the suspension or revocation of PEAL's approval to operate as an ELNO in the relevant jurisdiction. In the event proposed amendments to the Electronic Conveyancing National Law to introduce new enforcement powers are introduced (as discussed at Section 10.10), PEAL may also be subject to alternative enforcement mechanisms, including infringement notices and penalties, binding directions, and/or a civil penalty regime.

PEAL is also required to comply with the terms of its operating agreements in each State or Territory¹, or in the case of New South Wales, its approval conditions to operate an electronic lodgment network issued by the Registrar of New South Wales. These agreements and approvals govern key elements of PEAL's business and revenue model, such as pricing and the ability to develop services which utilise data relating to land information sourced through the PEXA Exchange, which are described further in Section 10.10.2.6. Any actual or perceived failure by PEAL to comply with these agreements or approvals, or any change to the terms of the operating agreements or approvals, or inability to renew them, may adversely affect PEXA's financial or operating performance and its ability to undertake new business activities that may be profitable, including the growth opportunities discussed in this Prospectus.

This e-conveyancing regulatory regime, and agreements thereunder, are a new and evolving regime that is yet to be materially tested and applied. There is a risk that approval processes and requirements may not be appropriately designed or sufficiently timely to respond to PEXA's business needs or that adverse interpretations of how these requirements apply to PEXA's business, or future changes to these requirements, could limit how PEXA is able to operate its business, including its ability to offer particular products and services outside of its core conveyancing transactions, and result in increased compliance costs, and/or changes to PEXA's operations in ways that impose additional costs or reduce its ability to pursue growth options and generate revenue. In addition, any approvals needed may take longer than expected or not be forthcoming, and divert time and attention of management. See Section 5.2.4.3 below for a discussion of regulatory risks relating to PEXA's growth initiatives.

As PEXA expands internationally, it may become subject to e-conveyancing regulatory regimes that are developing and uncertain and may be subject to significant change, including in relation to pricing, use of data services, competition and financial settlement and payment regulation. In addition, regulations may differ significantly across the jurisdictions in which PEXA expands and there may be challenges and difficulties in complying with these different regulatory regimes, including increased legal compliance costs and that it may take PEXA longer than expected to obtain any necessary approvals to pursue its growth initiatives.

Financial settlement and payment regulation

The existing Australian e-conveyancing regulatory framework does not include specific rules for the financial payment and settlement components of e-conveyancing. While the Reserve Bank of Australia oversees PEXA's financial settlement process associated with e-conveyancing and ASIC is the regulator for payment systems and consumer protection, the Electronic Conveyancing National Law is currently silent as to the regulation of financial settlement and payment processes in e-conveyancing. Further, no regulator currently has oversight of the end-to-end delivery versus payment system. There is a risk that reform to existing financial settlement and payment regulatory arrangements could adversely affect PEXA's operating and financial performance, or financial condition.

1. PEAL and the Australian Capital Territory Government are currently negotiating a deed for the operation of an ELN with approval conditions, noting the form of this document is subject to ongoing deliberation and negotiation.

Privacy laws

Laws and regulations governing data privacy and protection are evolving, extensive and complex and include uncertainties, resulting in increased data governance and compliance requirements. PEXA is required to comply with the *Privacy Act 1988* (Cth), which regulates how personal information is handled. Data held by PEXA includes personal information, and PEXA needs to ensure there is no unauthorised access, disclosure or loss of personal information held by PEXA. As PEXA expands its business internationally, it may become subject to more stringent regulations relating to privacy and data security, and the unauthorised use of, or access to, commercial and personal information, particularly in the UK, which will affect how PEXA operates its platform internationally, how PEXA can process and use data and how it can transfer personal data (if at all) between one jurisdiction to another. PEXA may incur substantial costs to comply with privacy laws and regulations, and to establish and maintain internal controls and procedures. There is a risk that PEXA's internal controls fail and give rise to privacy breaches, which could give rise to reputational damage or result in fines, penalties, the payment of compensation and may have an adverse effect on PEXA's operating and financial performance. Additionally, compliance with these laws may restrict how PEXA processes and uses data and the availability and scope of products and services that PEXA Insights and PX Ventures can develop.

Competition and consumer laws

PEXA is required to comply with competition and consumer protections under the *Competition and Consumer Act 2010* (Cth), which is overseen by the ACCC. As PEXA is the incumbent provider of e-conveyancing services in Australia, it has come under increased scrutiny by the ACCC, including in relation to market power, pricing and use of data. Once established, interoperability between ELNOs is expected to facilitate competition in the Australian e-conveyancing market. However, if interoperability is not implemented or is unsuccessful, the ACCC and other regulators may impose increased restrictions on PEXA's business which could limit PEXA's ability to be profitable. Compliance with competition and consumer protection requirements may result in increased compliance costs, enforcement by the ACCC and further regulatory reform to PEXA's regulatory environment, which may adversely affect PEXA's future financial or operating performance and its ability to be profitable.

5.2.2. Competition and market structure risks

5.2.2.1 Interoperability

The State and Territory Ministers responsible for e-conveyancing have tasked ARNECC with developing a technical and regulatory regime to facilitate interoperability between ELNOs by the end of 2021. See Section 2.6.4 for a detailed discussion of interoperability and a description of the currently proposed interoperability model.

Establishing interoperability may subject PEXA to additional risks, including the risk of disruption to its normal operations as a result of making the necessary changes to its platform and processes, additional implementation costs, and the diversion of the time and attention of management and technical staff time. It may also introduce new competition risks and IT systems and cyber security risks to PEXA.

Once established, interoperability may result in PEXA achieving lower revenue compared to what it would achieve in a non-interoperable environment. In particular, the fees payable by Participating ELNO(s) to the Responsible ELNOs have yet to be legislated or determined and may not be set at a level that properly compensates PEXA for the use of its platform and the risk it assumes. The revenue that PEXA earns for serving as a Responsible ELNO may be less than the revenue it would earn for settling the transaction in a non-interoperable environment, and the margins on such services may be lower. In addition, the regulatory framework envisages that competing ELNO(s) must construct the capabilities needed to serve as a Responsible ELNO over time. To the extent that they are successful, competing ELNO(s) will seek to offer services and obtain revenue that would otherwise be obtained by PEXA. As a result, interoperability may adversely affect PEXA's financial performance.

In the longer term, because interoperability may enable ELNOs to service customers without a stand-alone platform and network, interoperability may accelerate competition by facilitating integration between alternative platform providers and subscribers, attracting additional competitors to the market and enabling them to earn revenue and develop their brand and subscriber base while they are still developing a platform that enables them to provide similar e-conveyancing services as PEXA.

There is also uncertainty about the way that interoperability will affect the risks of operating an e-conveyancing platform. PEXA also anticipates that interoperability will introduce new cyber security risks, including the risks arising from a more extensive and complicated network of system integrations, and the dependence of a Responsible ELNO on the systems of Participating ELNO(s) for subscriber verifications. In order to address these risks, PEXA may need to increase its expenditure on cyber security safeguards. In the event safeguards fail, PEXA may face costly reputational damage in the case of data breaches or other consequences as addressed below in Section 5.2.3. In addition, it is uncertain whether insurance will be available at a reasonable cost to cover these risks.

Interoperability may also require PEXA to renegotiate components of its existing legal, governance and contractual framework, which could result in unforeseen or greater costs than PEXA anticipates.

5.2.2.2 PEXA's market position is affected by general competitive factors

The market in Australia for digital property settlement services is rapidly evolving and PEXA may face additional competition in Australia. PEXA may also face competition in any international markets it enters. As these markets continue to mature and as existing competitors grow their businesses and new competitors enter, PEXA expects competition to intensify.

PEXA's success in providing digital property settlements depends on its ability to continue to innovate and increase subscribers' adoption of its platform and service offerings. Increased competition from existing competitors or market participants, or the entrance of new competitors, will result in a loss of market share and may have an adverse impact on PEXA's revenue and profit margins, which might adversely affect PEXA's financial performance and ability to achieve its forecast results.

In addition, in expanding its services into adjacent areas as discussed in Section 3.4, PEXA may face a broader set of competitors, including established competitors in adjacent industries and/or global technology leaders with significant resources and competitors that have competitive advantages that PEXA may lack. For example, in offering property data products, PEXA will compete with a number of large, established data services companies, and, potentially, land registries, particularly those that have been privatised and are seeking new sources of revenue or increased efficiencies. In offering referrals to adjacent services, such as mortgage and insurance brokers and household services, PEXA may compete with established platforms such as comparison websites and digital services marketplaces.

In addition to regulatory efforts to facilitate competition, including interoperability, PEXA believes that the factors that are likely to impact PEXA's competitive position include:

- the level of innovation of competitors, as well as PEXA's ability to continue to innovate to compete;
- the technical capability of competitors to execute the full spectrum of digital property settlement transactions and/or the ability of each competitor to develop such capabilities;
- the willingness of a critical mass of subscribers to adopt other competing electronic lodgment network systems;
- requirements which provide third parties the ability to access PEXA's platform, technology solutions, users, know-how and intellectual property;
- commercial factors, including pricing (and regulation thereof) and liability terms;
- usability of the electronic lodgment network systems, connected systems and related offerings, such as digital certificates and financial settlement enablers;
- PEXA's ability to respond quickly to technological or regulatory change, including the extent to which PEXA's products and services can remain competitive in respect of interoperable transactions;

- PEXA's ability to respond to subscriber preferences for products and services; and
- PEXA's ability to maintain strong relationships with existing subscribers and attract new subscribers by providing consistent and high-quality service.

Any of these factors could result in a loss of PEXA's market share, and/or have an adverse impact on revenue and profit margins of PEXA, which could adversely affect PEXA's operating and financial performance.

5.2.3. IT and system security risks

5.2.3.1 Cyber security and fraud

Information technology is critical to PEXA's ability to deliver services to subscribers and grow its business. Measures taken by PEXA, or its third party providers, to prevent technology breaches on the PEXA Exchange or other international platforms used by PEXA may be inadequate. Information technology systems are susceptible to cyber-attacks, with third parties seeking unauthorised access to data, financial theft and to cause disruption to business-as-usual services.

The cyber threats PEXA faces may arise from human error, fraud, malice and sabotage on the part of employees, subscribers, third parties, or state actors. Cyber threats may also arise or be heightened by actual or potential faults in infrastructure, like hardware or software vulnerabilities, ageing equipment, obsolescence, defect or malfunction. Recently, cyber threats have grown in frequency, form, scope, level of sophistication and potential for harm, particularly post COVID-19, which is likely to continue. Protective controls and security measures may not evolve as quickly as cyberattack tools and techniques.

Accidental or deliberate security breaches, including from internal or external bad actors, or other unauthorised access to PEXA's information technology systems or subscriber data may subject PEXA to reputational damage, loss of confidence in the services it provides, disruption of services to subscribers, claims by subscribers or other third parties with which PEXA contracts, loss of subscribers, theft, misappropriation of funds or property, legal action and regulatory scrutiny. Any of these events could require PEXA to expend significant capital and other resources to respond to or alleviate problems caused by the actual or perceived security breach, payments to cover the losses even when PEXA is not at fault, and could adversely impact PEXA's reputation, as well as its operating and financial performance and financial condition.

In addition, there are also security risks in connection with the broader PEXA Exchange ecosystem. External email accounts, IT software and other third party platforms of subscribers could be compromised and subsequent fraud perpetrated against subscribers who operate via the PEXA Exchange platform, via another ELNO's platform pursuant to interoperability arrangements or via PEXA's international platforms. For example, PEXA has seen a number of instances where external email accounts, IT software and third-party platforms of practitioner firms have been compromised and subsequent fraud perpetrated against the clients of practitioner firms who operate via the PEXA Exchange platform. Any accidental or deliberate security breaches or other unauthorised access to subscribers' systems that connect to the PEXA Exchange platform may subject PEXA to reputational damage, a loss of confidence in the services it provides, a disruption of services to subscribers, loss of subscribers, theft, misappropriation of funds, data breaches and potential legal action.

In addition, any of these events could require PEXA to expend significant capital and other resources to respond to or alleviate problems caused by an actual or perceived security breach and payments to cover the losses even when PEXA is not at fault, in order to avoid reputational damage and loss of subscribers. This in turn may have an adverse impact on PEXA's financial and operating performance and financial condition.

The reliability and resilience of PEXA's IT systems may be impacted by the complex technology environment, the introduction of interoperability between ELNOs, the failure to keep technology systems up-to-date, and an inability to restore or recover systems and data in acceptable timeframes. In connection with interoperability between ELNOs, the regime that will be developed to cover security, control procedures and liability in connection with security breaches and the consequences of unauthorised access to one or more ELNOs systems is yet to be negotiated and agreed by

the parties. PEXA expects interoperability to heighten cyber security risks due to it involving a more extensive and complicated network of system integrations and dependence of a Responsible ELNO on the systems of Participating ELNOs for subscriber verifications, which in turn increases PEXA's risk of reputational damage and the need to cover losses even when PEXA is not at fault.

5.2.3.2 Reliance on third party technology systems and processes and IT suppliers

Successful lodgement and settlement via the PEXA Exchange depends on the availability of a number of third party systems and processes. In particular, the PEXA Exchange relies on the Reserve Bank of Australia and financial institutions for electronic transfer of funds, the State Revenue Offices and Land Titles Offices for real-time stamp duty verification and the lodgement of dealings, and a number of third party providers for multi-factor authentication and verification of digital signatures. PEXA recently experienced an issue with the availability of third party software, which resulted in some subscribers not being able to access PEXA's platform for a short time. Any change or downtime in the availability of these third party systems and processes may have an impact on the security and integrity of PEXA's platform and the ability for PEXA to successfully lodge and settle transactions, and may therefore result in delays or failed transactions (particularly as there may be no back-up option of paper conveyancing) or greater risk of security breaches. There is a risk that PEXA and/or subscribers may suffer losses as a result of the PEXA Exchange or other stakeholder systems being down, or that PEXA may breach its regulatory and contractual obligations, including maintaining availability and minimum performance levels and meeting prescribed security and integrity requirements for its electronic lodgment network. In addition, there is also a risk that third party systems and processes could be subject to security breaches resulting in the unauthorised disclosure, misuse, destruction or loss of data or other sensitive information of PEXA and its subscribers. This in turn may have a negative reputational impact on PEXA, even in circumstances in which PEXA is not at fault, and could adversely impact PEXA's financial and operating performance and financial condition. A sustained outage of the platforms of a revenue office, registry or other critical party could also impact on PEXA's ability to provide services and/or generate revenue.

PEXA relies on contracts with third party suppliers, including Amazon Web Services and Accenture, to maintain and support the PEXA Exchange, as well as other critical IT infrastructure and software. PEXA's ability to deliver its services depends on the reliability and resilience of these services providers, and any failures in third party providers' systems or IT infrastructure or delay, disruption or deterioration in the level of service provided to PEXA could impact PEXA's ability to provide services to its subscribers, or the service levels PEXA provides. In particular, the PEXA Exchange is reliant on its data and resources hosted across two isolated locations (known as availability zones) in Sydney, New South Wales, maintained by Amazon Web Services. Regulatory requirements do not permit alternative offshore back-up. If both of these availability zones are down, this may impact PEXA's ability to provide services on the PEXA Exchange, which in turn could cause PEXA to breach its regulatory and contractual obligations. If PEXA's contracts with any of its major IT suppliers are terminated for any reason and an alternative source of technology or systems is not available in a timely manner or on similar commercial terms, PEXA may not be able to operate the PEXA Exchange and its financial and operating performance and financial condition could be adversely affected.

5.2.3.3 Business disruption and system failures

PEXA and its subscribers depend on the effective and uninterrupted performance, reliability and availability of the PEXA Exchange. PEXA's software and hardware technology infrastructure may be exposed to damage or interruption from system failures, power loss, telecommunications failures, inadequate safeguards implemented by other ELNOs or third party service providers, inadequate system maintenance, damage to the physical infrastructure, disasters from natural or human causes, misuse, human error or other unforeseen events which may cause the systems to be unavailable from time to time. For example, failures to the PEXA Exchange may result from undetected errors, defects or bugs within PEXA's software and hardware technology infrastructure and related systems and processes, as well as the operating systems, software products and equipment, and data source and networks with which PEXA is integrated or connected. The likelihood of such failures increases when updates, new versions or new capabilities are included. These failures may cause disruption to PEXA's business-as-usual services and result in PEXA's platform, or components thereof, being

unavailable, which may subject PEXA to reputational damage, loss of confidence in the services it provides, disruption of services to subscribers, claims by subscribers or other third parties with which PEXA contracts, and legal action and regulatory scrutiny. Further, PEXA uses and may continue to use “open source” software (including open source applications obtained from partners, such as Amazon Web Services and Redhat, and open source industry standard code libraries) and this may give rise to greater risks (for example, security issues from malicious capability built into the software or consequential issues to PEXA’s platform, or components thereof, if this software becomes unavailable or unreliable) to PEXA than if it used internally developed code or third party commercial software. These in turn may lead to reputational damage and adversely impact PEXA’s operating and financial performance and financial condition.

5.2.4. Financial, business and economic risks

5.2.4.1 Decrease in lodgements due to general economic conditions

One of the key factors driving PEXA’s financial performance is the volume of transactions in the property market, including transfers, developments, refinancing and other transactions. As at March 2021, the PEXA Exchange handled more than 80% of all property transfers across Australia.

The Australian property market is affected by changes in general economic conditions, which are beyond PEXA’s control. Some of the factors that can affect the volume of property transactions include:

- housing affordability (in turn affected by general income levels, interest rates and consumer confidence);
- population growth and demographic changes, including migration;
- general economic growth;
- domestic investor demand; and
- levels of foreign investment.

Furthermore, increases in property prices, potential policy changes (such as negative gearing or stamp duty) and availability of credit may impact the volume of property transactions. The property market cycle is inherently uncertain and there can be no assurance in relation to the timing of market peaks and troughs. Economic conditions may be negatively impacted by major shock events, such as natural disasters, epidemics and pandemics (such as the ongoing COVID-19 pandemic), war and terrorism, and political and social unrest. Any of these events may impact the volume of property transactions occurring on a national or international level in the short or long term in ways which are not possible to predict.

PEXA has earned substantially all of its revenue from fees for using the PEXA Exchange, and PEXA expects that it will earn a significant majority of its revenue from PEXA Exchange fees throughout the forecast periods. Because PEXA’s revenues depend on the PEXA Exchange, any adverse development affecting the PEXA Exchange or the volume of dealings/lodgements processed on the PEXA Exchange is likely to have an adverse effect on PEXA’s financial performance and results. According to BIS Oxford, while FY21 has seen a significant increase in transfer activity in the Australian housing market compared with FY20, momentum is expected to ease in FY22, in part as the distortions created by COVID-19 and government support policies fade. The timing of factors underpinning housing affordability, for example, wage growth and interest rate levels, are uncertain. In addition, the Victorian State Government has recently announced changes to property transfer stamp duty and land tax rates. These factors, among others, could negatively affect the volume of transactions in the property market and consequently PEXA’s financial performance.

5.2.4.2 Lower than expected use of PEXA Exchange

PEXA’s financial and operating performance depends on the number of dealings processed on the PEXA Exchange. The Forecast Financial Information in Section 4 assumes an increase in billable transactions, and a certain rate of registration and utilisation of the PEXA Exchange.

While PEXA continues to implement initiatives to enhance the PEXA Exchange (see Section 3.2.1.2) and attract more dealings as the industry transitions further towards 100% electronic lodgement, there may be a slower take-up of the PEXA Exchange than it anticipates. In addition, there is a risk that PEXA has reached critical mass adoption in the larger States in Australia. PEXA's financial performance and results may be adversely impacted if the billable transactions through the PEXA Exchange do not increase as anticipated or actual registration and utilisation differ from the assumptions in Section 4. For example, there is a risk that further expansion of transaction volume in Western Australia may be limited due to limitations in the ability for transactions requiring complex revenue office assessments for stamp duty to be digitally processed by the Western Australia Revenue Office. Further, PEXA has experienced ongoing delays with respect to launching digital property settlements in the Australian Capital Territory, noting further unforeseen delays may impact PEXA's financial performance.

5.2.4.3 Growth initiatives and opportunities fail to eventuate

PEXA expects that its business may continue to develop and grow. It expects to continue to add features and functionality to its core PEXA Exchange platform, and is developing a number of strategic growth initiatives, including the PEXA Insights, PX Ventures and PEXA International initiatives. These initiatives are discussed in more detail in Section 3.4.

There is a risk that these growth initiatives are ineffective, difficult to implement and/or more costly than expected, or that PEXA is unable to develop and grow additional revenue streams from these growth initiatives, or the development of these businesses may be slower than it expects, which may cause reputational damage to PEXA, and adversely impact its operating and financial performance, and future growth. While PEXA has provided estimates of some potential market sizes relevant to its growth initiatives, it may not earn a share of this revenue. PEXA has also previously sought to develop data insight products and services within PEXA Plus and PEXA Key without generating material revenue.

A number of these initiatives, including the further development of the PEXA Exchange platform and the development of the international version of its digital property settlement platform and the "Property Bureau" that PEXA expects to underpin the PEXA Insights business are significant IT projects, which are subject to a number of inherent risks including the risk of cost overruns, delays and failure to achieve specified functionality.

In addition, PEXA's growth initiatives may be affected by the entry and success of competitive products and services, including from larger competitors with greater resources.

In addition to the risks facing any company establishing businesses in foreign markets (which include the failure to adapt to different legal and regulatory systems, labour laws, business conditions and culture), in order to establish a digital property settlement platform in a new jurisdiction, PEXA will need to establish relationships with regulators and financial institutions, and seek appropriate approvals from regulators, which may take longer to develop than anticipated or not be successful. In England and Wales, where PEXA intends to launch its international expansion, it is dependent on the availability of "slots" with the Bank of England to develop the necessary integration with the Bank of England's Real Time Gross Settlement system, as well as the willingness of lenders to invest time and resources to undertake the necessary integrations. In addition, the Bank of England is undertaking a multi-year upgrade to its Real Time Gross Settlement system. If PEXA is not able to arrange a committed partner by August 2021 to undertake joint integration testing with the Bank of England, this could push out its next available testing window to 2024. PEXA's plans could also be negatively impacted by delays to the Bank of England's system upgrade. To the extent PEXA incurs costs and derives revenue in international markets, PEXA will be exposed to the risk of foreign currency fluctuations.

Regulators in jurisdictions in which PEXA seeks to expand will need to determine whether new regulation is necessary to facilitate digital property settlement and the development and introduction of any new regulation may be slower than PEXA anticipates and the regulation may be less favourable to an operator of a digital property settlement platform than the regulation in Australia. The willingness of market participants in these jurisdictions to transition to digital property settlement is untested, and may be slower than PEXA anticipates.

PEXA's plan to develop a data services business and new ventures through PX Ventures also faces regulatory risks. PEXA will need to determine whether new businesses must be separated from the PEXA Exchange business to comply with the Model Operating Requirements. See Section 10.10.2.4 for more information regarding the requirements for separation between an ELNO and any upstream or downstream services an owner of an ELNO wishes to operate. If PEXA is required to operate a business under a separation plan, the requirements of the plan may impose additional costs and compliance burdens and may reduce the ability of the separated business to benefit from PEXA's ownership, relationships, expertise and other advantages. Conversely, operating an adjacent business on a non-separated basis may constrain PEXA's ability to operate the business in a commercially optimal manner. In addition, the application of the separation requirements of the Model Operating Requirements involves significant areas of judgement where practice continues to develop. Regulatory approvals (or the failure to obtain such approvals on the terms sought by PEXA) may restrict the growth potential of PX Ventures or PEXA Insights; PEXA may have to change the way it operates these businesses if regulators disagree with PEXA's interpretation of the regulations.

The PEXA Insights initiative depends on PEXA being able to lawfully use the data it is able to collect through the PEXA Exchange. The legal and regulatory framework relating to the data that PEXA holds is evolving. PEXA may require approval from various parties in order for PEXA Insights to use or offer PEXA data in any products or services that it develops. For example, in Australia, PEAL is required to seek the approval of the relevant Registrar if it uses, modifies, discloses, reverse engineers, recreates or reworks data that is (or is substantially based on) information provided by the Registry, or obtained to complete lodgements, for any services outside of core conveyancing transactions. As discussed in Section 5.2.1.1, PEXA may fail to seek the necessary approvals, or such approvals may be slower than anticipated or not be forthcoming. In addition, participation agreements with financial institutions and practitioner firms include restrictions on the use of transaction data entered in the PEXA workspace, and privacy laws restrict the use and disclosure of personal information. The number of approvals required to operate a property data business in the manner PEXA intends adds complexity, increases the cost and other resources involved to obtain approvals and increases the risk of not obtaining approvals or failing to comply with the conditions of any of the approvals granted. There is a risk that Registrar approval will not be provided or, if provided, will be revoked or that the terms of the current approvals will be varied in a way which materially impacts the success of those services, including, for example, requiring that such data be shared with other market participants on an equivalent basis, which may reduce the competitive advantage available to PEXA Insights. If PEXA is unable to maintain the required Registrar approvals this may impact the availability and scope of new products or services, and their future revenue. In addition, other restrictions in participation agreements or privacy laws may adversely affect the availability and scope of these services.

Finally, the way PEXA operates any adjacent businesses may affect the trust that subscribers and other market participants have in the PEXA Exchange. For example, if PEXA's use of data is inconsistent with the expectations of PEXA Exchange Subscribers, they may lose trust in PEXA and be more willing to use an alternative ELNO.

5.2.4.4 COVID-19

The outbreak of COVID-19, which commenced in late 2019, created a downturn in economic activity in Australia driven largely by social distancing and lockdown measures, which in turn impacted property transaction volumes. Based on land registry dealings data and independent sources, BIS Oxford estimates that was an unseasonably large fall in property transactions in the period March 2020 to June 2020. See Section 2.2.2. A further outbreak of COVID-19 in Australia and continuing outbreaks internationally could result in economic downturn of unknown duration or severity, including a material reduction in digital property settlements. There is recent uncertainty in Victoria as it has entered a lockdown from 27 May 2021 to 10 June 2021 due to a number of new COVID-19 cases. If this lockdown is extended, or if lockdowns emerge in other States or major cities, auction and new listing activity may be adversely impacted, which could result in lower than expected property transaction volumes for the relevant period. If COVID-19 outbreaks continue to occur, the nature and extent of the effect on PEXA's financial performance, particularly in the longer term, is unknown. The continued uncertainty, as well as the possibility of an economic downturn of unknown duration or severity in certain jurisdictions key to PEXA's current and future operations, may impact PEXA's financial performance and financial condition.

COVID-19 has affected how PEXA is operating its business, including as a result of government public health orders, travel restrictions and/or business shutdowns, and as a result of employees and contractors working remotely at home, which may increase the risks to PEXA's systems and network security. Any governmental or industry measures taken in response to COVID-19 may adversely impact PEXA's operations and are likely to be beyond the control of PEXA. The duration and extent to which these measures will continue to impact PEXA remain uncertain, and may prove difficult to assess or predict, particularly over the medium to longer term.

Events related to COVID-19 have resulted in significant market volatility. PEXA's Share price may be adversely affected in the short to medium term by the economic uncertainty caused by COVID-19.

5.2.4.5 Deterioration of key relationships

The success of PEXA's business and its ability to grow in Australia relies on its existing relationships with ARNECC, Registrars, Land Titles Offices, State Revenue Offices, the Reserve Bank of Australia, financial institutions, practitioner firms and other industry bodies such as the Australian Banking Association and the Australian Institute of Conveyancers and Law Societies. In addition, PEXA's ability to grow internationally relies on it successfully creating key relationships with land registries, regulators, and financial institutions in the relevant jurisdictions. If PEXA does not adequately manage its key external relationships, they may deteriorate, which could result in a loss of trust and confidence in PEXA and the PEXA Exchange.

Furthermore, where the relationships are subject to formal agreements, there is no guarantee that these relationships will continue beyond the terms of contracts. In addition, the Reserve Bank of Australia, financial institutions and the State Revenue Office for Victoria may terminate their agreements with PEXA for convenience, which would prevent PEXA from operating the PEXA Exchange.

Any deterioration or termination of PEXA's key relationships may have an adverse effect on the financial performance and/or financial condition of PEXA.

5.2.4.6 Failure to attract and retain key personnel

PEXA operates in a competitive and specialised industry where its continued success is dependent upon its ability to attract and retain skilled and qualified personnel. PEXA has recently experienced difficulty attracting new employees in key specialisations, in particular IT engineers. Further, as the PEXA Exchange is a bespoke and customised system, PEXA is reliant on institutional knowledge of its internal systems to maintain service levels. The failure to retain IT engineers and other key personnel who have in-depth knowledge of the IT platform underlying the PEXA Exchange, and the failure to recruit and retain employees and management with key skills, including technical, service or institutional knowledge, could materially affect PEXA's operating and financial performance, and could jeopardise the realisation of PEXA's growth plans.

In addition, PEXA faces the following risks in relation to personnel:

- loss of key management personnel or employees;
- delay in finding suitable replacements for lost personnel; and
- inability to find suitably qualified personnel to meet PEXA's business needs as it grows.

If any of these risks were to materialise, they could affect PEXA's financial and operating performance and financial condition.

The employment contracts of some of PEXA's key employees contain non competition and non solicitation provisions designed to limit the impact of employees departing the business by restricting the ability of these employees to obtain employment with PEXA's competitors. Such provisions may not be enforceable, or may only be partially enforceable, which could impede PEXA's ability to protect its business interests.

5.2.4.7 Failure of internal controls

Efficient internal processes are critical to the operation of PEXA's business. There is a risk that inadequate or failed internal processes, people or systems (including failure of staff to follow defined processes, inadequate training, failure to implement appropriate controls or wrongdoing) or external events may give rise to failures, disruptions or malfunctions in operational systems and controls (e.g. internal fraud and subscriber or other external fraud, security failures, data loss, manual processing errors), which may result in losses to subscribers that PEXA is liable to compensate (or that PEXA may cover due to the risk of reputational damage), or failure to satisfy requirements of its financial institution partners. PEXA is required to meet ongoing assessments, certifications, review processes and accreditation standards and these require significant investment and compliance requirements by PEXA. These are important for PEXA to operate and if PEXA does not meet any of the requirements it may compromise PEXA's ability to, or increase the costs for, PEXA to operate and conduct its business. Ensuring that internal processes are efficient and scalable is particularly important in the context of PEXA's significant historic and planned future growth and transition to an ASX-listed company.

From time to time, during the evaluation and testing process of internal controls, PEXA has identified ineffective controls that need to be remediated. Control failures may lead to data loss, misappropriation of funds or property, illegal activity and/or reputational damage, which may adversely impact PEXA's ability to retain or attract subscribers and ultimately impact PEXA's financial performance and financial condition.

5.2.4.8 Failure to protect intellectual property rights

PEXA relies on a combination of confidentiality, assignment, and licence agreements with its employees, consultants, and third parties with whom it has relationships, as well as trademarks, copyright and patents, to protect its proprietary rights. Third parties may infringe on PEXA's proprietary rights, and/or may challenge proprietary rights held by PEXA, and pending and future trademark and patent applications may not be approved. PEXA could also face further regulatory demands to share its intellectual property with competitors, including for example to facilitate interoperability between ELNOs, and any compensation for doing so may be less than the commercial value. Competitors may be able to reverse engineer or imitate PEXA's ideas and solutions, eroding the value of PEXA's intellectual property rights and/or confidential know-how in ways which cannot be protected by intellectual property law.

In any or all of these cases, PEXA may be required to expend significant time and expense in order to prevent infringement or to enforce its rights. If the protection of its proprietary rights is inadequate to prevent unauthorised use or appropriation by third parties, or PEXA is otherwise forced to share its know-how and intellectual property with industry participants, PEXA's potential competitors may be able to more effectively mimic its products, services, and methods of operation.

Any of these events could have an adverse effect on PEXA's financial and operating performance and financial condition.

5.2.4.9 Infringement of third party intellectual property rights

There is a risk that third parties may allege that PEXA's products use intellectual property derived by them or from their products without their consent or permission. PEXA may be the subject of claims which could result in disputes or litigation, which could result in the payment of monetary damages, cause delays and increase costs, which in turn could have an adverse impact on PEXA's operations, reputation and financial performance.

5.2.4.10 PEXA may not have access to equity and debt funding

Although the Board believes that, on completion of the Offer, PEXA will have sufficient cash to meet its operational and working capital requirements during the forecast period and to meet its stated business objectives, there can be no assurance that such objectives can be met without further financing or, if additional financing is necessary, that it can be obtained on favourable terms or at all.

PEXA may need to raise additional funds in order to support more rapid expansion, respond to competitive pressures, acquire complementary businesses or technologies or take advantage of unanticipated opportunities. Failure to obtain sufficient financing for its activities and future projects may result in delay and indefinite postponement of its activities and potential development programs.

PEXA may seek to raise further funds through equity or debt financing, joint ventures, licensing arrangements, strategic relationships or other means. There can be no assurance that such additional funding, if needed, will be available on terms attractive to PEXA, or at all. Further, any additional equity financing may be dilutive to Shareholders and debt financing, if available, may involve restrictive covenants.

The ability of PEXA to secure any required financing to sustain operations and expansion plans will depend in part upon general economic conditions, prevailing capital market conditions and the performance, reputation and financial strength of PEXA. A lack of, or increased cost of, capital could impact the funding costs of PEXA and therefore impact its cash flows and financial position.

5.2.4.11 Availability of insurance

PEXA currently maintains insurance that meets or exceeds the levels required by ARNECC, but there is no guarantee that maintaining these levels will be possible in the future insurance market or that such insurance will adequately cover all losses. In addition, PEXA may elect not to ensure against certain risks where it considers the applicable premiums to be excessive in relation to the perceived risks and benefits. As a result, PEXA may incur losses that are not insured or that are beyond its insurance coverage limits, which could materially and adversely impact its financial performance and financial condition. In addition, there can be no assurance that adequate insurance will continue to be available, will be available at economically acceptable premiums or will be adequate to cover any claims made, including in relation to cyber and security related risks. Recently, PEXA has observed a hardening insurance market, with higher costs for coverage levels. Such higher costs may adversely impact PEXA's profitability. In addition, if the hardening of the insurance market continues, PEXA's insurance premiums may rise to a level where it becomes uneconomical to insure certain risks, which may adversely impact PEXA's financial performance and financial condition.

5.2.4.12 Availability of research and development related tax benefits

There is a risk that the Australian Taxation Office does not allow PEXA to receive benefit from research and development tax claims that are submitted to the Australian Taxation Office, which could adversely affect the financial performance of PEXA by reducing the amount of available tax offsets in future years. As at 30 June 2020, PEXA had a carry forward non-refundable research and development tax offset balance of approximately \$18.5 million which may be used to reduce its future income tax payable (subject to the satisfaction of the tax recoupment rules).

5.2.4.13 Damage to brand and reputation

PEXA's brand and reputation could be adversely impacted by a number of factors, including all of the risks identified in this Section 5. Specific factors that may adversely impact PEXA's brand and reputation include: failure to appropriately control and implement PEXA's growth initiatives; PEXA's use of data and its customers' use of PEXA's data may be inconsistent with the expectations of PEXA Exchange Subscribers; data security breaches, including those that involve confidential information; and adverse publicity about PEXA or disputes or litigation with third parties such as regulatory bodies, employees (arising from workplace incidents or otherwise), financial institutions, customers or others with whom PEXA has material business dealings. Damage to PEXA's brand or reputation could have an adverse effect on subscriber loyalty, relationships with financial institutions and key industry participants, employee retention rates and demand for PEXA's products and services, any of which could adversely impact PEXA's financial and operating performance.

5.2.4.14 Acquisitions, strategic investments and partnerships

PEXA may in the future seek to acquire or invest in businesses, joint ventures and platform technologies that it believes could complement or expand its platform, enhance its technology, or otherwise offer growth opportunities including through PX Ventures. Any such acquisitions or partnership investments may divert the attention of management and cause PEXA to incur various expenses in identifying, investigating and pursuing suitable opportunities, whether or not the transactions are completed, and may result in unforeseen operating difficulties and expenditures. In particular, PEXA may encounter difficulties assimilating or integrating the businesses, technologies, products, personnel or operations of any acquired companies, and it will be affected by the performance and reputation of its partners. Any such transactions that PEXA is able to complete may not result in the synergies or other benefits it expects to achieve.

5.2.4.15 Anti-corruption and anti-bribery

PEXA is subject to anti-corruption and anti-bribery laws in Australia, and other countries in which it conducts business. These laws have been enforced aggressively in recent years and are interpreted broadly to generally prohibit companies, their employees, and their third-party intermediaries from authorising, offering or providing, directly or indirectly, improper payments or benefits to recipients in the public or private sector. As PEXA expands internationally, it may engage with business partners and third party intermediaries to market its products and services and to obtain necessary permits, licences and other regulatory approvals. In addition, PEXA or its third party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities. PEXA can be held liable for the corrupt or other illegal activities of these third party intermediaries, its employees, representatives, contractors, partners, and agents, even if PEXA does not explicitly authorise such activities. While PEXA has policies and procedures to address compliance with such laws, there is a risk that its employees and agents will take actions in violation of its policies and applicable laws, for which PEXA may be ultimately held responsible. As PEXA expands internationally, its risks under these laws may increase.

5.3. General risks

5.3.1. Price of Shares may fluctuate

Once PEXA becomes a publicly listed company on ASX, it will become subject to general market risks that are inherent in all securities listed on a securities exchange. The price at which Shares are quoted on ASX may increase or decrease due to a number of factors, many of which are outside of the control of PEXA, the Board and its senior management, and are not attributable to the underlying operations and activities specific to PEXA. These factors may cause the Shares to trade at prices below the Offer Price. There is no assurance that the price of the Shares will increase following quotation on ASX, even if PEXA's earnings increase.

Some of the factors which may affect the price of the Shares include:

- the number of potential buyers or sellers of Shares on ASX at any given time;
- fluctuations in the domestic and international market for listed stocks;
- general economic conditions, including interest rates, inflation rates and exchange rates;
- changes to government fiscal, monetary or regulatory policies, legislation or regulation;
- inclusion in or removal from market indices;
- the nature of the markets in which PEXA operates;
- variations in sector performance, which can lead to investors exiting one sector to prefer another; and
- general operational and business risks.

5.3.2. Significant retained holding by certain Existing Shareholders

Immediately after Completion, assuming that the Existing Shareholders and their associates' allocation of Shares under the Offer is not reallocated (as described in Section 7.4.2), the Existing Shareholders will beneficially own up to 76.0% of the Company's issued share capital.

Each of the Management Shareholders has entered into voluntary escrow arrangements in relation to their Escrowed Shares. The absence of any sale of Escrowed Shares by the Management Shareholders during the Management Escrow Period may cause, or at least contribute to, limited liquidity in the market for the Shares. This could affect the prevailing market price at which Shareholders are able to sell their Shares. It is important to recognise that Shareholders may receive a market price for their Shares that is less than the price that Shareholders paid. Following the end of the Management Escrow Period, a significant sale of Shares by one or more of the Management Shareholders, or the perception that such sales might occur, could adversely affect the market price of the Shares.

The Existing Shareholders, if they act together, would be able to exert a significant degree of influence over the Company's management and affairs and over matters requiring Shareholder approval, including the nomination and election of Directors and approval of significant corporate transactions. In addition, if the maximum shareholdings of Commonwealth Bank of Australia and Link Group are not reallocated (as described in Section 7.4.2), then each would each be entitled to appoint up to two directors under their respective Relationship Deeds (as described in Section 9.3), and if both were to do so that would reduce the proportion of independent directors on the Board and incur additional costs for the Company. The interests of these Existing Shareholders may differ from the interests of the Company and the interests of Shareholders who purchase Shares under the Offer. Also, for so long as they hold a large stake in the Company, these Shareholders may be able to determine or influence whether a takeover or similar offer for the Shares is successful.

5.3.3. Trading in Shares may not be liquid

Prior to the Offer, there has been no public market in the Shares. Once the Shares are quoted on ASX, there can be no guarantee that an active trading market for the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less than the price that Shareholders paid.

5.3.4. Change of control

The Operating Agreements between PEAL and the Registrars of Victoria, Queensland, Western Australia and South Australia, and in the case of New South Wales the approval conditions issued by the New South Wales Registrar, contain change of control provisions that require PEAL to obtain consent from the Registrars in each State prior to a change in control of PEAL, which is defined broadly. A similar provision is contained in the Deed for the Operation of an Electronic Lodgment Network between PEAL and the State of South Australia. The process to obtain Registrars' approval may be lengthy. These change of control provisions may delay or otherwise impact the potential attractiveness of PEXA to potential acquirers.

5.3.5. Debt service

PEXA's debt obligations are described in Section 4 of this Prospectus.

PEXA's ability to make scheduled payments on, or refinance, its debt obligations, depends on its financial condition and operating performance, which are subject to a number of factors beyond its control. PEXA may be unable to maintain a level of cash flows from operating activities sufficient to permit it to repay the principal and interest on its indebtedness.

If PEXA were unable to repay its indebtedness and fund operations, it may be required to limit growth, seek additional capital, sell assets, or restructure or refinance its indebtedness. Even if PEXA adopts one of these options, the strategy may not be successful, and PEXA may be unable to repay its indebtedness and/or fund operations. Further, movements in interest rates may affect debt repayments. In addition, PEXA may incur additional debt and take other actions that could diminish its ability to make payments on its indebtedness when due. If new debt is added to existing or future debt, these risks could increase. PEXA could, among other remedies that may be available, be forced into bankruptcy, administration, insolvency or liquidation.

5.3.6. Litigation, disputes or regulatory enforcement or investigations

PEXA may, from time to time, be subject to litigation, regulatory investigation and/or enforcement, and other claims and disputes in the course of its business.

For example, these claims may relate to disputes with subscribers, disputes with government agencies (such as the Land Titles Offices) or investigations and potential enforcement by regulators (such as the ACCC, ARNECC or the Registrars). The outcome of litigation, regulatory investigations/enforcement, or a dispute, cannot be predicted with certainty, and adverse litigation outcomes could adversely affect PEXA's business, reputation, financial condition and operating performance.

5.3.7. Inability to pay dividends

PEXA's ability to pay dividends or make other distributions in the future is impacted by profits and cash flow of the Company.

Moreover, to the extent that PEXA pays any dividends, PEXA's ability to offer fully franked dividends is contingent on PEXA's available tax losses, as well as making taxable profits. PEXA's taxable profits may be volatile, making the payment of dividends unpredictable.

The value and availability of franking credits to a Shareholder will differ depending on the Shareholder's particular tax circumstances. Shareholders should also be aware that the ability to use franking credits, either as a tax offset or to claim a refund after the end of the income year, will depend on the individual tax position of each Shareholder.

5.3.8. Expected future events may not occur

Certain statements in this Prospectus constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements of PEXA to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The risks associated with these forward-looking statements may be exacerbated by COVID-19 and the resulting uncertainty in the current economic environment.

Forward-looking statements are identified by words such "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target" and other similar words that involve risks and uncertainties. The Forecast Financial Information contains examples of forward-looking statements.

Given these uncertainties, prospective investors should not place undue reliance on such forward-looking statements, which speak only as at the Prospectus Date. In addition, under no circumstances should forward-looking statements be regarded as a representation or warranty by PEXA, the Directors, senior management or any other person referred to in this Prospectus or otherwise that a particular outcome or future event is guaranteed. PEXA has no intention of updating or revising forward-looking statements, or publishing prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

5.3.9. There is a risk of Shareholder dilution

In the future, PEXA may elect to issue Shares (or securities convertible into Shares). While PEXA will be subject to the constraints of ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12 month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues of Shares or securities.

5.3.10. Adverse taxation changes may occur

Australian taxation laws are complex and subject to change, as is their interpretation by the Courts and the Australian Taxation Office.

PEXA's tax position is based on current tax law, and understanding of the practice of the tax authorities in Australia in respect of the application of that law. See Section 4.7.1.10 for information regarding PEXA's carry forward tax losses.

An interpretation of taxation laws by the relevant tax authority that differs from PEXA's views of the application of those laws may reduce the pool of tax losses or increase the amount of tax to be paid.

There is also the potential for changes to Australia's taxation law, and any such tax reform, or changes in the Australian Taxation Office's position or views, may impact on PEXA's tax position. This in turn may impact PEXA's financial performance and the return to Shareholders.

In addition, an investment in the Shares of PEXA may involve tax considerations which may differ for each Shareholder.

5.3.11. Australian Accounting Standards (AAS) may change

AAS are set by the Australian Accounting Standards Board (AASB) and are outside the control of either PEXA or its Board. The AASB may, from time to time, introduce new or refined Australian Accounting Standards, which may affect future measurement and recognition of key income statement and statement of financial position items.

There is also a risk that interpretations of existing AAS, including those relating to the measurement and recognition of key income statement and statement of financial position items, may differ. Any changes to the AAS or to the interpretation of those standards could have a material adverse effect on the financial performance and position reported in PEXA's consolidated financial statements.

5.3.12. Force majeure events may occur

Events may occur within or outside Australia that could impact upon the Australian and international economy, PEXA's operations and the price of the Shares. The events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease (including the current COVID-19 pandemic) or other natural or man-made events or occurrences that can have an adverse effect on the demand for PEXA's services and its ability to conduct business.

6 Key Individuals, Interests and Benefits

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6.1. Board of Directors

The Directors bring to the Board relevant experience and skills, including industry and business knowledge, financial management and corporate governance experience.

Figure 84: Board of Directors

Director	Experience and background
 Mark Joiner <i>Independent Chairman</i>	• Mark is an experienced director of listed companies, currently serving as a non-executive director of Latitude Financial Services and Chairman of QBE Insurance Group Limited's Australian and New Zealand subsidiaries. He has also held multiple directorships at NAB Group subsidiaries, including Clydesdale Bank Plc and JBWere. • Mark served as Executive Director of Finance for NAB Group; CFO and Head of Strategy and M&A for Citigroup's global wealth management business in New York; and Associate Director of Australian Ratings (now Standard & Poor's). He also has 15 years of experience as a management consultant at Boston Consulting Group including as Senior Vice President, Global Head of Corporate Development. • Mark is a Chartered Accountant and holds an MBA from the Melbourne Business School.
 Glenn King, FIPAA <i>Group Managing Director and Chief Executive Officer</i>	• See Section 6.2
 Vivek Bhatia <i>Non-Executive Director and Link Group Nominee Director</i>	• Vivek is the current Managing Director and Chief Executive Officer of the Link Group. • Vivek has over 20 years of experience in financial services, government and management consulting. Prior to joining Link Group, Vivek was Chief Executive Officer of the Australia Pacific division of QBE Insurance Group Ltd, and the inaugural Chief Executive Officer and Managing Director of iCare (Insurance and Care NSW). • Prior to this, Vivek co-led the Restructuring and Transformation (RTS) practice at McKinsey & Company across Asia Pacific and held senior executive roles at Wesfarmers Insurance, including responsibility for leading the Australian underwriting businesses of Lumley, WFI and Coles Insurance as CEO, Wesfarmers General Insurance Limited (WGIL). • Vivek holds an undergraduate degree in engineering, a post graduate degree in business administration and is a CFA (ICFAI).

Director

Experience and background



Dr Kirstin Ferguson
Independent Non-Executive Director

- Kirstin is an experienced director of publicly listed companies and she currently serves as a non-executive director on the boards of SCA Property Group Ltd (since January 2015) and EML Payments Ltd (since 2018). She also sits on the board of the technology company, Envato (since 2021).
- Kirstin has also previously sat on the board of CIMIC Ltd and has held roles on the boards of significant unlisted entities including as Deputy Chair of the Australian Broadcasting Corporation and she served as a non-executive director of Hyne and Son Pty Ltd, Sunwater Ltd and a number of non-profit organisations.
- Kirstin was formerly the CEO of Sentis Pty Ltd and the Director of Corporate Services at Deacons (now Norton Rose Fulbright). Kirstin began her career as an Officer in the Royal Australian Air Force.
- Kirstin has a PhD in leadership, corporate culture and governance as well as a Bachelor of Laws (with Honours) from Queensland University of Technology (QUT) and a Bachelor of Arts (with Honours) from the University of New South Wales Canberra. Kirstin has been an Adjunct Professor of the QUT Business School since 2015.



John Hawkins
Non-Executive Director and Link Group Nominee Director

- John is currently one of Link Group's two nominee Directors on the PEXA Board, having first joined the PEXA Board in June 2013.
- Prior to listing, John served as the Chair of the TGH Risk Management and Audit Committee and a member of the TGH Remuneration, Nomination and People Committee.
- John is currently a Non-Executive Director of Specialised Container Holdings Pty Ltd.
- John has over 30 years' commercial, mergers and acquisition, accounting and financial experience from various roles with Optus, Perpetual Limited and KPMG (Australia and the United Kingdom). For 18 years until his executive retirement in 2019, John was the Chief Financial Officer of Link Group.
- John is a Chartered Accountant and holds a Bachelor of Science (Computer Science) and a Bachelor of Commerce from The University of Queensland. John holds a Bachelor of Science (Computer Science) and a Bachelor of Commerce from the University of Queensland.



Paul Rickard
Non-Executive Director and Commonwealth Bank of Australia Nominee Director

- Paul served as a non-executive Director of PEXA from November 2011 to November 2018, joining the Board about twelve months after the company's formation.
- Paul is an experienced director of listed companies, currently serving as a non-executive director of Tyro Payments Limited and WCM Global Growth Limited. At Tyro, he is the Chair of the Audit Committee and the Chair of the Risk Committee.
- He has more than 30 years' experience in the financial service industry. He was a senior executive with the Commonwealth Bank of Australia for over 15 years, and was the founding managing director of CommSec.
- Paul was named 'Stockbroker of the Year' and admitted to the Industry Hall of Fame in 2005.
- Paul holds a Bachelor of Science degree in Mathematics and Computer Science from the University of Sydney, and a Diploma in Financial Planning from RMIT University.

Director	Experience and background
 Melanie Willis <i>Independent Non-Executive Director</i>	• Melanie has extensive experience as a non-executive director, including Challenger Limited since December 2017, Southern Cross Austereo since May 2016 and the Australia Pacific division of QBE Insurance Group Ltd since September 2020. Melanie was previously a non-executive director of Mantra Group and Pepper Group, Chief Executive Women and Chair of the Education Committee of the 30% Club. • Melanie also serves as a non-executive director of PayPal Australia. • Melanie has held executive roles as CEO of NRMA Investments (and head of strategy and innovation), CEO of a financial services start-up and director of Deutsche Bank, and has previously worked in corporate finance at Bankers Trust and Westpac. • Melanie previously chaired the audit and risk committee at Mantra and was a member of the audit committee at Pepper Group. She currently chairs the risk committee and is a member of the audit committee at Challenger, chairs the audit committee and remuneration committee at PayPal Australia, chairs the risk committee at QBE AusPac, and chairs the audit and risk committee at Southern Cross Austereo. • Melanie has a Bachelor of Economics from the University of Western Australia and Masters of Taxation from Melbourne University.

6.2. Executive Leadership Team

The executive leadership team has been assembled to incorporate a wide range of expertise and skills to foster PEXA's development.

Figure 85: Executive leadership team

Executive leadership	Experience and background
 Glenn King, FIPAA <i>Group Managing Director and Chief Executive Officer (CEO)</i>	• Glenn King is the Group Chief Executive Officer. • Before joining in late-2019 Glenn was a senior public servant in the New South Wales (NSW) Government, including leading the Premier's Implementation Unit as Deputy Secretary of Department Premier and Cabinet, and the first Chief Executive Officer of Service NSW. Most recently, he was the NSW Customer Service Commissioner and Secretary of the NSW Government's Department of Customer Service. • Glenn also has over 25 years of international experience in Financial Services. As a senior executive at the National Australia Bank Group he led product, marketing, distribution, and operations divisions across its portfolio in Australia, New Zealand, Scotland, England and Ireland. • Glenn has been an Executive at Save the Children Australia, held numerous Business Advisory and Community Board roles, and was appointed a Fellow of the Institute of Public Administration Australia for outstanding contribution to study or practice of public administration. He has a BCom (Honours) from Deakin University, a Post Graduate Diploma in Business Administration from Swinburne University, as well as completing programs at both the University of Adelaide and Harvard Kennedy School.

Executive leadership Experience and background



Richard Moore
Chief Financial
Officer (CFO)

- Richard joined PEXA as its Chief Financial Officer in February 2020.
- Prior to this, Richard was the Chief Financial Officer at MYOB for eight years, overseeing its transition from private to public ownership in 2015 which at the time was Australia's largest Tech IPO. At MYOB, Richard was responsible for a broad Group Services portfolio, including Finance, Legal, Governance, Risk and Compliance and IT.
- Richard has more than 20 years business experience, holding senior finance roles across a diverse range of industries, including Chief Financial Officer of Jetstar Airways (part of the Qantas Group), Chief Financial Officer of Bankwest Business and numerous finance roles at GE Capital across both the UK and Australia, after starting his career with PwC in Edinburgh.
- Richard is a Member of the Institute of Chartered Accountants of Scotland and is a member of the Board and Finance Committee Chair at Kilvington Grammar School in Ormond, Melbourne.
- Richard has a Master of Arts degree, with Honours, in Economics from the University of Edinburgh.



Simon Smith
Chief Operations
Officer (COO)

- Simon joined PEXA in 2020 as Chief Operations Officer. Simon leads PEXA's regulatory streams as well as its enterprise architecture, workplace technology, information and cyber security capabilities.
- Prior to joining PEXA, Simon was with international management consultancy Nous Group, where he worked extensively with government and university leaders developing strategy, delivering transformation and strengthening governance practices.
- Simon also has extensive experience in the public sector, having served 24 years with the NSW Government in several roles including Secretary of the Department of Industry under then Premier Mike Baird; Chief Executive Officer of the Department of Finance, Services and Innovation; and Deputy Director General of the Department of Premier and Cabinet (Economic Policy).
- Simon holds a BA Hons 1 (Economics) from the University of Newcastle and is a Graduate of the Australian Institute of Company Directors (AICD).



Lisa Dowie
Chief Customer
Officer

- Lisa joined PEXA in 2012 and has held various roles in technology, operations, and customer experience and strategy.
- Lisa has 20 years' experience in the finance, information technology and telecommunications industries.
- Prior to joining PEXA, Lisa led various transformation initiatives at Australia and New Zealand Banking Group and Telstra, and spent time in the United Kingdom working with Accenture and JP Morgan Chase.
- Lisa has participated in the Executive Management Program at INSEAD and was recently awarded the 2020 Customer Executive of the Year from CSIA.

Executive leadership Experience and background



Linda Hibberd
Chief People Officer

- Linda joined PEXA in 2019 and leads the focus on the organisation's people strategy, experience and workplace culture. Her portfolio includes human resources, internal and industry events, employee experience and the development of innovative, nation-leading policies.
- Linda has accumulated extensive human resources leadership experience having held roles across banking, technology, telecommunications and management consulting industries including National Australia Bank, Telstra and PricewaterhouseCoopers.
- Linda holds a Bachelor of Arts and a Bachelor of Commerce degree from Deakin University and also a Post-Graduate Diploma in Business from Swinburne University.



James Ruddock
Chief Product and
Digital Experience
Officer

- James joined PEXA in 2012 as its then Chief Financial Officer. James is currently Chief Product and Digital Experience Officer, responsible for PEXA's technology, digital and product function.
- Prior to joining PEXA, James held executive roles as Chief Operating Officer and Commercial Director at credit bureau, Dun & Bradstreet. In addition, he has worked with Merrill Lynch and PwC.
- James holds both a Bachelor of Commerce and a Bachelor of Laws (Honours) degree from Monash University.



Marielle Yeoh
Chief Marketing,
Corporate Affairs
and Financial
Services Officer

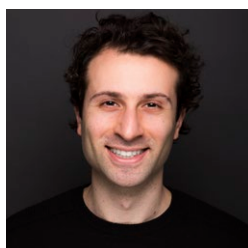
- Marielle joined PEXA in 2013. Marielle is currently leading the Marketing, Corporate Affairs function and Financial Services function and has nearly 20 years of experience in the financial services sector.
- Prior to joining PEXA, Marielle held a number of roles at National Australia Bank and Australia and New Zealand Banking Group.
- Marielle holds a Bachelor of Banking and Finance from Monash University (Melbourne) and was awarded the IT Innovator of the year in the 2017 Women in Finance Awards.



James Bawa
Chief Executive
Officer UK

- James joined PEXA as Chief Executive Officer of PEXA UK in 2020.
- Prior to joining PEXA, James was Chief Executive Officer at JN Bank UK, cloud-based challenger bank and Chief Executive Officer at Teachers Building Society, where he was responsible for re-engineering the society into a specialist lender.
- James has extensive regulatory experience with over 12 years as a panel member of the Financial Services Authority and Financial Conduct Authority.
- James is a Chartered Insurer having spent his early career with Life and General Insurance Companies.

Executive leadership Experience and background



Chris Bodikian
*Chief Innovation
 Officer, PX Ventures*

- Chris joined the PEXA Corporate Development team in 2014. Chris is responsible for driving PX Ventures' B2B, B2C and B2G growth agenda including partnerships, investments and entrepreneur programs.
- Chris brings experience from work with tech start-ups and with JP Morgan in its Corporate and Investment Bank.
- Chris holds a Master of Business Administration from Melbourne Business School and a Bachelor of Business (Accounting) from the University of Technology, Sydney.

6.3. Directors' disclosures

Each Director has confirmed to the Company that he or she anticipates being available to perform his or her duties as a Director without constraint from other commitments.

No Director has been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere in the last 10 years which is relevant or material to the performance of their duties as a Director or which is relevant to an investor's decision as to whether to subscribe for Shares.

No Director has been an officer of a company that has entered into any form of external administration as a result of insolvency during the time that they were an officer or within a 12 month period after they ceased to be an officer.

6.4. Interests and benefits

This Section sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director of the Company or SaleCo;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company or SaleCo¹; or
- Underwriter to the Offer,

holds as at the Prospectus Date, or has held in the two years before the Prospectus Date, an interest in:

- the formation or promotion of the Company or SaleCo;
- property acquired or proposed to be acquired by the Company or SaleCo in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such persons for services in connection with the formation or promotion of the Company, or SaleCo or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director.

1. See the interests of Commonwealth Bank of Australia noted in Sections 6.6 and in 7.1.5, Figure 95. The benefits that Commonwealth Bank of Australia derives from promoting the Offer are limited to its shareholding shown in Figure 95. Commonwealth Bank of Australia will not receive any other fees in connection with the Offer.

6.4.1. Prospectus related non-executive Director remuneration

Each of the non-executive Directors of the Company have entered into agreements with the Company in the lead up to the Offer, confirming the terms of their appointment, their roles and responsibilities and the Company's expectations of them in the pre-Offer period.

Each of the non-executive Directors may participate in the Employee and Director Offer on the terms set out in Section 7.3.3. The Company has also agreed with each of the independent non-executive Directors that they would each receive the Consideration Shares in consideration for services provided to the Company:

- in preparation for the IPO; and
- on Completion of the IPO, as follows:

Figure 86: Independent non-executive Director remuneration

Independent NED	Pre-IPO preparation fee	IPO Completion fee
Mark Joiner	11,675 Shares (to the value of \$200,000)	11,675 Shares (to the value of \$200,000)
Dr Kirstin Ferguson	4,378 Shares (to the value of \$75,000)	4,378 Shares (to the value of \$75,000)
Melanie Willis	4,378 Shares (to the value of \$75,000)	4,378 Shares (to the value of \$75,000)

6.4.2. Annual Directors' fees

Each of the non-executive Directors of the Company have entered into appointment letters with the Company, confirming the terms of their appointment, their roles and responsibilities and the Company's expectation of them as Directors.

The Board of Directors will decide the total amount paid to each Director as remuneration for their services as a Director to the Company. However, under the ASX Listing Rules, the total amount paid to all non-executive Directors for their services must not exceed in aggregate in any financial year the amount fixed by the Company at a general meeting. This amount has been fixed at \$2 million per annum and any change to the aggregate sum will need to be approved in a general meeting. The Directors' fees must not include a commission on, or a percentage of, profits or income of the Company.

The following annual base and committee fees, inclusive of superannuation, are payable to the Directors (these will take effect from Completion):

Figure 87: Annual Directors Fees

Directors fees	Number of Directors	Fees payable	Total fees
Chairman	1	\$350,000	\$350,000
Director	5	\$160,000	\$800,000
Total			\$1,150,000

Figure 88: Annual Committee Fees

Committee Fees	Number of Members	Committee Chair Fee	Director's Member fee ¹	Total fees
Audit and Risk Committee	5	\$30,000	\$17,500	\$82,500
Remuneration, Nomination and People Committee	4	\$30,000	\$17,500	\$65,000
Total				\$147,500

1. Fee for chairing a committee and being a member of a committee will not both be paid in respect of the same position. The Chairman will be a member of both Audit & Risk Committee and the Remuneration, Nomination and People Committee but will not be paid a fee for membership.

Figure 89: Aggregate annual fees for each Director

	Mark Joiner	John Hawkins	Dr Kirstin Ferguson	Melanie Willis	Paul Rickard	Vivek Bhatia
Annual Directors fee	\$350,000	\$160,000	\$160,000	\$160,000	\$160,000	\$160,000
Remuneration, Nomination and People Committee fee	–	–	\$30,000 (Chair)	\$17,500	–	\$17,500
Audit and Risk Committee fee	–	\$17,500	\$17,500	\$30,000 (Chair)	\$17,500	–
Total	\$350,000	\$177,500	\$207,500	\$207,500	\$177,500	\$177,500

6.4.3. Deeds of indemnity, insurance and access for Directors

The Company has entered into a deed of indemnity, insurance and access with each Director, which confirms the Director's right of access to Board papers and other Company documents and requires the Company to indemnify the Director, to the extent permitted by law, in respect of certain losses and liabilities (including all legal expenses) which the Director may incur as a result of, or by reason of (whether solely or in part), being or acting as a Director of the Company or of a related body corporate.

Under the deeds of indemnity, insurance and access, the Company must maintain a directors' and officers' liability insurance policy insuring each Director and officer against liability as a Director or officer of the Company and its related bodies corporate for the period during which he or she is a Director or officer and for seven years after they cease to act as a Director or officer of the Company or a related body corporate (or the date any relevant proceedings commenced during the seven year period have been finally resolved).

6.4.4. Other information and interests

Directors may be reimbursed for travel and other expenses incurred in attending to the Company's affairs, including attending and returning from Board or committee meetings or general meetings. Any Director who performs additional or special services for the Company may be remunerated for the services (as determined by the Board having regard to the value to the Company for the additional or special services) out of the funds of the Company.

There are no retirement benefit schemes sponsored by the Company for Directors, other than statutory superannuation contributions as required by law.

6.4.5. Directors' interests in Shares and other securities

Pursuant to the Company's constitution, the Directors are not required to hold Shares in the Company. Following Completion of the Offer, the Board intends to put in place a Director's Shareholding Policy, including a requirement for Directors to hold Shares in the Company.

The non-Executive Directors are entitled to apply for Shares under the Employee and Director Offer. The Directors' proposed holdings (either personally or through entities associated with the Director) on Completion of the Offer are outlined below. Final Directors' Shareholdings will be notified to ASX.

Figure 90: Directors' shareholding

Director	As at Prospectus Date		Shares held on Completion ¹	
	Shares	%	Shares	%
Mark Joiner	–	–%	29,187	0.016%
Glenn King ²	–	–%	1,155,637	0.652%
John Hawkins	–	–%	5,837	0.003%
Dr Kirstin Ferguson	–	–%	14,593	0.008%
Melanie Willis	–	–%	14,593	0.008%
Paul Rickard	–	–%	5,837	0.003%
Vivek Bhatia	–	–%	5,837	0.003%

1. Refer also to Section 7.1 for the number of Shares expected to be on issued on Completion. The Shares held by the non-executive Directors on Completion reflects the Shares acquired by those Directors under the Employee and Director Offer (refer to Section 7.3.3) and, in the case of Glenn King, reflects the Shares acquired as a result of the unwind of the MEP (refer to Section 6.4.8).
2. At the Prospectus Date Glenn King does not hold any Shares in the Company. Refer to Figure 91 for details.

6.4.6. Summary of key management remuneration

The key management personnel of the Company are Glenn King (Managing Director and CEO), Richard Moore (CFO) and Simon Smith (COO).

6.4.6.1 Glenn King

Term	Description
Role	Managing Director and CEO
Fixed annual remuneration	\$925,000 (including superannuation)
Short-term incentive (STI)	Glenn is eligible to receive an annual STI up to a maximum of 70% of his fixed annual remuneration for the relevant year. 70% of STI is paid in the November following the applicable financial year and 30% of STI is deferred to the following November, provided in both instances Glenn is still employed by PEXA and not under notice of employment termination. The level of any incentive will be assessed at the end of the Company's financial year, by reference to Company performance outcomes and individual achievement, as well as a demonstration of behaviours aligned with PEXA's values. The Company outcomes are assessed on four key strategic metrics: Financial, Member and Customer, Innovation and People, Risk. The individual component requires employees to set goals which are linked to the company outcomes and team strategy.

Term	Description
Long-term incentive (LTI)	The Company is proposing to prepare and seek Shareholder approval of a long term incentive plan for all key management personnel. It is proposed that Shareholder approval for that plan will be sought at the Company annual general meeting, and specific approval would be sought for any offer of incentive securities under that plan to Glenn.
Notice period, termination and termination payments	Under the terms of Glenn's employment contract, either party is entitled to terminate Glenn's employment by giving 12 months' written notice. PEXA may, at its election, make a payment in lieu of that notice based on Glenn's fixed annual remuneration (or a combination of notice and payment in lieu of notice). PEXA may also terminate Glenn's employment immediately and without payment in lieu of notice where he engages in any serious misconduct and on other similar grounds.
Non solicitation/ restrictions on future activities	After termination of employment, the employment contract provides that Glenn will be subject to: • a non-compete period for a maximum of six months; • specified entities restraint period for a maximum of 12 months; and • non-solicitation of clients and non-solicitation of employees, principally within Australia and the United Kingdom, for a maximum period of 12 months. The enforceability of these restraints is subject to all usual legal requirements.

6.4.6.2 Richard Moore

Term	Description
Role	CFO
Fixed annual remuneration	\$615,000 (including superannuation)
Short-term incentive (STI)	Richard is eligible to receive an annual STI up to a maximum of 60% of his fixed annual remuneration for the relevant year. 70% of STI is paid in the November following the applicable financial year and 30% of STI is deferred to the following November, provided in both instances Richard is still employed by PEXA and not under notice of employment termination. The level of any incentive will be assessed at the end of the Company's financial year, by reference to Company performance outcomes and individual achievement, as well as a demonstration of behaviours aligned with PEXA's values. The Company outcomes are assessed on four key strategic metrics: Financial, Member and Customer, Innovation, People and Risk. The individual component requires employees to set goals which are linked to the company outcomes and team strategy.
Long-term incentive (LTI)	The Company is proposing to prepare and seek Shareholder approval of a long term incentive plan for all key management personnel. It is proposed that Shareholder approval for that plan will be sought at the Company annual general meeting.

Term	Description
Notice period, termination and termination payments	Under the terms of Richard's employment contract, either party is entitled to terminate Richard's employment by giving nine months' written notice. PEXA may, at its election, make a payment in lieu of that notice based on Richard's fixed annual remuneration (or a combination of notice and payment in lieu of notice). PEXA may also terminate Richard's employment immediately and without payment in lieu of notice where he engages in any serious misconduct and on other similar grounds.
Non solicitation/ restrictions on future activities	After termination of employment, the employment contract provides that Richard will be subject to: • a non-compete period for a maximum of six months; • specified entities restraint period for a maximum of 12 months; and • non-solicitation of clients and non-solicitation of employees, principally within Australia and the United Kingdom, for a maximum period of two years. The enforceability of these restraints is subject to all usual legal requirements.

6.4.6.3 Simon Smith

Term	Description
Role	COO
Fixed annual remuneration	\$384,000 (including superannuation) ²
Short-term incentive (STI)	Simon is eligible to receive an annual STI up to a maximum of 60% of his fixed annual remuneration for the relevant year. 70% of STI is paid in the November following the applicable financial year and 30% of STI is deferred to the following November, provided in both instances Simon is still employed by PEXA and not under notice of employment termination. The level of any incentive will be assessed at the end of the Company's financial year, by reference to Company performance outcomes and individual achievement, as well as a demonstration of behaviours aligned with PEXA's values. The Company outcomes are assessed on four key strategic metrics: Financial, Member & Customer, Innovation, People & Risk. The individual component requires employees to set goals which are linked to the company outcomes and team strategy.
Long-term incentive (LTI)	The Company is proposing to prepare and seek Shareholder approval of a long term incentive plan for all key management personnel. It is proposed that Shareholder approval for that plan will be sought at the Company annual general meeting.
Notice period, termination and termination payments	Under the terms of Simon's employment contract, either party is entitled to terminate Simon's employment by giving six months' written notice. PEXA may, at its election, make a payment in lieu of that notice based on Simon's fixed annual remuneration (or a combination of notice and payment in lieu of notice). PEXA may also terminate Simon's employment immediately and without payment in lieu of notice where he engages in any serious misconduct and on other similar grounds.

2. Simon Smith is employed on a part-time basis. Total remuneration package is pro-rated to reflect 30.4 working hours per week.

Term	Description
Non solicitation/ restrictions on future activities	After termination of employment, the employment contract provides that Simon will be subject to: • a non-compete period for a maximum of six months; • specified entities restraint period for a maximum of 12 months; and • non-solicitation of clients and non-solicitation of employees, principally within Australia and the United Kingdom, for a maximum period of two years. The enforceability of these restraints is subject to all usual legal requirements.

6.4.7. Key management interests in shares

The proposed holdings of the key management personnel (either personally or through associated entities) on Completion of the Offer are outlined below. These shares comprise shares issued under the Management Equity Plan (see Section 6.4.8.2) and Shares acquired under this Prospectus as part of the Employee and Director Offer. All shares held by key management personnel will be subject to voluntary escrow as set out in Section 9.6.

Manager	Shares held on Completion
Glenn King	1,155,637
Richard Moore	577,818
Simon Smith	105,587

6.4.8. Employee equity plan arrangements

6.4.8.1 Equity Incentive Plan

The Company's Board views equity based remuneration as a strategic form of remuneration for the executive leadership team and certain employees.

In the lead up to the Offer, the Board has established the Equity Incentive Plan to facilitate future grants of equity to its executive leadership team and certain employees in circumstances that the Board determines a grant of equity is appropriate. Following ASX admission, the Board intends to make an award to eligible employees under the Equity Incentive Plan (**FY22 Award**). While the specific terms of the FY22 Award are yet to be agreed and the eligible employees identified, it is the Board's intention that the FY22 Award will be designed to support PEXA's high performance culture and encourage superior business performance.

The maximum number of Shares to be issued under the scheme for the next three years is 8,866,289, which is 5% of the Shares on issue at the Completion of the Offer.

The maximum number of Shares is not intended to be a prediction of the actual number of Shares to be issued under the Equity Incentive Plan but is specified for the purposes of ASX Listing Rule 7.2, Exception 13(a). It is not envisaged that the maximum number of Shares will be issued immediately, if at all.

The key features of the Equity Incentive Plan are set out in the table below:

Feature	Summary
Eligibility	Employees of PEXA or any other person whom the Board, in consultation with the Remuneration, Nomination and People Committee, determines in its discretion to be eligible to receive a grant of equity (including a Director, contractor or consultant).
Types of securities	The Board has flexibility to grant one or more of the following securities subject to the terms of the individual invitation at the relevant time and subject to compliance with the Listing Rules: • Performance Rights – Performance Rights are an entitlement to receive an ordinary Share or Restricted Share for nil consideration upon the satisfaction of specified conditions. • Options – Options are a right to acquire a Share or Restricted Share upon the satisfaction of specified conditions and payment of a specified Exercise Price. • Restricted Shares – Restricted Shares are Shares subject to specified disposal restrictions such that a participant cannot deal in the Restricted Shares (i.e. sell or transfer).
Invitations to participate	The Board may invite an eligible person to participate in the Equity Incentive Plan and grant an eligible person Performance Rights, Options and/or Restricted Shares in its discretion. The Board has the discretion to set the terms and conditions on which it will grant Performance Rights, Options and Restricted Shares in the individual invitations.
Consideration payable for grant of Performance Rights, Options and/or Restricted Shares	No consideration is payable by a participant in respect of the grant of Performance Rights, Options or Restricted Shares under the Equity Incentive Plan, unless the Board determines otherwise.
Vesting conditions	Securities granted under the Equity Incentive Plan will vest subject to the satisfaction of certain conditions determined by the Board from time to time and set out in the individual invitations. Generally, the relevant conditions must be satisfied in order for the Performance Rights, Options and/or Restricted Shares to vest or otherwise cease to be subject to restrictions. The Board also has the discretion to: • settle Performance Rights and/or Options with a cash equivalent payment: and/or • determine that a participant may use a cashless exercise facility.
Rights associated with Performance Rights and Options	Performance Rights and Options will not be quoted on ASX. Performance Rights and Options will not carry any voting rights or right to dividends. Shares issued or transferred to participants on conversion of a Performance Right or exercise of an Option (as applicable) will have the same rights and entitlements as other issued Shares, including voting and dividend rights.
Rights associated with Restricted Shares	Restricted Shares will rank equally in all respects with existing Shares and will have the same rights and entitlements as other issued Shares, including to rights issues, bonus issues and dividends.

Feature	Summary
Restrictions on dealing	Plan participants must not sell, transfer, encumber, hedge, grant an option over, create a third party right in, deal with or otherwise dispose of any Restricted Shares until the removal of any disposal restrictions. Unless the Board determines otherwise, Plan participants must not assign or transfer to any other person any of their legal or equitable rights to Performance Rights, Options or Restricted Shares.
Bonus issues, pro rata issues and capital reorganisations and restructures	Adjustments may be made to the number of Shares that a participant would be entitled to receive on the vesting and/or exercise of Performance Rights and/or Options (as applicable) and the exercise price (if applicable) in the event of a bonus issue or pro-rata issue to holders of Shares or a reorganisation of capital, subject to the ASX Listing Rules and all applicable laws. If the capital of the Company is reconstructed, the number of Shares or Restricted Shares (as applicable) that may be acquired by each participant and/or the Exercise Price (if any) must be reconstructed to the extent necessary to comply with the ASX Listing Rules and in a manner that does not result in any additional benefits being conferred on participants.
Cessation of employment	If a participant is considered a “good leaver”, the participant will continue to hold unvested Performance Rights, Options and/or Restricted Shares on a pro rata basis based on the proportion of the performance period that has lapsed. A “good leaver” includes a participant who ceases employment with PEXA by reason of retirement, genuine redundancy, death, permanent disability or any other reason as determined by the Board, at their discretion. Unless a participant is determined by the Board to be a “good leaver”, they will be considered a “bad leaver” and any unvested securities granted under the Plan will be forfeited or lapse (as applicable) where the participant ceases employment with PEXA.
Fraud, dishonesty or material breach of obligations	Where, in the opinion of the Board, a participant acts fraudulently or dishonestly, or in the case of gross misconduct or material misstatement of financial statements, or a participant is in material breach of his or her obligations, any unvested Options, Performance Rights and/or Restricted Shares, vested but unexercised Options or Performance Rights, or Restricted Shares will lapse or will be deemed to be forfeited (as applicable).

Feature	Summary
Change of control	If a control event occurs, the Board may: • convert some or all Performance Rights into Shares whether or not the vesting conditions have been satisfied; • permit the exercise of some or all Performance Rights or Options (as applicable) whether or not the vesting conditions have been satisfied; and/or • remove any disposal restrictions on the Restricted Shares whether or not all requirements have been satisfied. Control Event means any of the following: a. an offer being made to acquire shares which have the right to: a. control 50% or more of the votes to be cast in appointing or removing Directors of the Company; b. appoint or remove Directors who possess 50% or more of the votes exercisable by all Directors of the Company; c. receive 50% or more of the profits or distributions of the Company; or b. any other event which the Board reasonably considers should be regarded as a Control Event.
Source of Restricted Shares and Shares	The Board has the discretion to issue or procure the transfer of any Restricted Shares or Shares delivered under the Plan, including on the vesting and/or exercise of Performance Rights and/or Options (as applicable).
Trustee	The Company may appoint a trustee to acquire and hold Restricted Shares or Shares (as applicable) either on behalf of participants or for purposes of the Plan.
Amendments to Equity Incentive Plan	Subject to the ASX Listing Rules, the Board may, in its absolute discretion, amend the Plan rules or waive or modify the application of the scheme rules, except in certain circumstances.

6.4.8.2 Management Equity Plan

Key management personnel and certain other employees (**Management Equity Planholders**) have participated in the Management Equity Plan operated by PEAL. The Management Equity Plan will be discontinued before Completion and no further entitlements will arise under the Management Equity Plan for any participant.

Management Equity Planholders were provided with limited recourse loans in connection with their subscription for Class A, B and C Shares under the plan. The Management Equity Plan will be unwound before Completion, with all Class A, B and C Shares being reclassified as ordinary Shares (which rank equally with all Shares issued under this Prospectus). Management Equity Planholders will sell some of their Shares prior to Completion to repay the net balance of the associated limited recourse loans. There will be no outstanding loans from the Group in relation to the Management Equity Plan on Completion.

Management Equity Planholders have entered into restriction deeds with the Company in relation to the Shares they hold as a result of reclassification of Class A, B and C Shares, which will be subject to voluntary escrow until the date on which the Company releases its financial results for the financial year ended 30 June 2022 (see Section 9.5 for details of Voluntary Escrow Arrangements).

Figure 91: Shares held under the Management Equity Plan

Management Equity Planholder	Management Equity Plan shares held at the date of this Prospectus ¹	Shares issued under the Management Equity Plan held on Completion
Glenn King	2,070,105	1,155,637
Richard Moore	1,035,052	577,818
Simon Smith	414,023	105,587
Non key management personnel	2,518,609	1,354,568
Total Shares	6,037,789	3,193,610

1. At the time of Prospectus lodgement shares held under the Management Equity Plan are Class A, B and C shares. These will be converted to ordinary Shares prior to Completion.

6.4.9. Employee and Director Offer and Employee Gift Offer

The key terms of the Employee and Director Offer and the Employee Gift Offer are set out in Section 7.3.3 and Section 7.3.4 respectively.

6.4.10. Interests of advisers

The Company has engaged the following professional advisers in relation to the Offer:

- Barrenjoey Advisory Pty Limited, Macquarie Capital (Australia) Limited, Morgan Stanley Australia Securities Limited and UBS AG, Australia Branch have acted as Joint Lead Managers to the Offer. The Company has agreed to pay the Joint Lead Managers the fees described in Section 9.1 for these services;
- Allen & Overy has acted as Australian and US legal adviser (other than in respect of taxation matters) to the Company and SaleCo in relation to the Offer and New Banking Facility. The Company has paid or agreed to pay \$2,500,000 (excluding disbursements and GST) for those services up until the Prospectus Date. Further amounts may be paid to Allen & Overy in accordance with its normal time-based charges;
- Ernst & Young Strategy and Transactions Limited has acted as Investigating Accountant and prepared the Independent Limited Assurance Report included in this Prospectus. The Company has paid, or agreed to pay, \$60,910 (excluding disbursements and GST) for those services up until the Prospectus Date. Further amounts may be paid to Ernst & Young Strategy and Transactions Limited in accordance with its normal time-based charges;
- Ernst & Young has provided financial and tax due diligence services in connection with the Offer. The Company has paid, or agreed to pay, \$614,090 (excluding disbursements and GST) for those services up until the Prospectus Date. Further amounts may be paid to Ernst & Young in accordance with its normal time-based charges;
- BIS Oxford Economics has provided information on the property market to PEXA in connection with the Offer and has prepared the BIS Market Report. PEXA has paid, or agreed to pay, approximately \$90,000 (excluding disbursements and GST) for these services;
- Frost & Sullivan has provided information on potential market sizes for a range of products and services that PEXA or a PX Ventures business or partner may develop to PEXA in connection with the Offer and has prepared an independent expert report. PEXA has paid, or agreed to pay, approximately \$17,000 (excluding disbursements and GST) for these services; and
- Cato & Clive has acted as a consultant on public relations to the Company in relation to the Offer. The Company has paid, or agreed to pay, \$36,000 (excluding disbursements and GST) for those services up until the Prospectus Date.

The Joint Lead Managers may engage one or more co-managers in relation to the Offer who would be paid fees by the Joint Lead Managers out of fees payable to the Joint Lead Managers under the Underwriting Agreement.

The Joint Lead Managers or their affiliates may, from time to time in the future, perform other investment banking and financial advisory services for the Company, its Shareholders or their respective affiliates. Further, in the ordinary course of their trading, brokerage and financing activities, the Joint Lead Managers and their affiliates may act as a market maker or buy or sell securities issued by PEXA or associated derivatives as principal or agent. Customary fees and commissions are expected to be paid for any such services in the future.

These amounts, and other expenses of the Offer, will be paid by the Company out of funds raised under the Offer or available cash (unless otherwise indicated). Further information on the use of proceeds and payment of expenses of the Offer is provided in Section 7.1.

6.5. Corporate governance

This Section explains how the Board oversees the management of PEXA. The main policies and principles adopted by the Board, which will take effect from listing on ASX, are summarised below. Details of the Company's key policies and principles and the charters for the Board and each of its committees will be available on PEXA's website, <http://www.pexa.com.au>, from listing on ASX.

The Board is responsible for the overall corporate governance of the Company, including establishing and monitoring key performance goals. The Board monitors the operational and financial position and performance of the Company and oversees its business strategy, including approving the strategic goals of the Company and considering and approving an annual business plan (including a budget). The Board is committed to maximising performance, creating and delivering sustainable levels of Shareholder value and financial returns, and sustaining PEXA's long-term growth and success. In conducting business in accordance with these objectives, the Board seeks to ensure that we are properly managed to protect and enhance Shareholder interests, and that the Company, its Directors, officers and staff operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing the Company, including adopting relevant internal controls, risk management processes and corporate governance policies, principles and practices which it believes are appropriate for the Company's business and which are designed to promote the responsible management and conduct of PEXA.

The ASX Corporate Governance Council has developed and released the ASX Corporate Governance Principles and Recommendations (Fourth Edition, 2019) (**ASX CGC Recommendations**) for Australian listed entities in order to promote investor confidence and to assist companies in meeting shareholder expectations. The ASX CGC Recommendations are not prescriptions, but guidelines. These guidelines apply to PEXA's relationships with all of PEXA's stakeholders – its Shareholders, network Members, regulators, suppliers, employees and the communities in which it operates.

Pursuant to the ASX Listing Rules, PEXA will be required to provide a statement in its annual report disclosing the extent to which it has followed the ASX CGC Recommendations in the reporting period. If PEXA does not follow a recommendation, the Company must identify the recommendation that has not been followed and provide reasons for not following it.

The Company has identified one area of non-compliance with the ASX CGC Recommendations, board independence (see Section 6.5.1.1). Other than as set out below, the Company intends to comply with all of the ASX CGC Recommendations from the time of its listing.

6.5.1. Board

6.5.1.1 Composition and independence of the Board

The Board is comprised of six non-executive Directors, including the Chairman, and one executive Director. Detailed biographies are provided in Section 6.1.

Each Director has confirmed to the Company that he or she anticipates being available to perform his or her duties as a non-executive Director or executive Director as the case may be, without constraint from other commitments.

The Board charter adopted by the Board sets out guidelines and thresholds of materiality for the purpose of determining independence of Directors in accordance with the ASX CGC Recommendations, and has adopted a definition of independence that is based on that set out in the ASX CGC Recommendations.

The Board considers a Director to be independent where he or she is free of any interest, position, affiliation or relationship that might influence, or might reasonably be perceived to influence, in a material respect, his or her capacity to bring independent judgement to bear on issues before the Board and to act in the best interests of the Company and its Shareholders generally. Regardless of the classification of independence, all Directors are expected to exercise robust and considered judgement in the interests of the Company. The Board will continue to review the independence of each Director in light of information disclosed to the Board.

The Board considers that each of Mark Joiner, Dr Kirstin Ferguson and Melanie Willis are independent Directors, free from any business or other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of the Director's judgement and each is able to fulfil the role of an independent Director for the purposes of the ASX CGC Recommendations.

Glenn King is not considered by the Board to be an independent Director given he is employed in an executive capacity and receives performance-based remuneration from the Company.

Vivek Bhatia, John Hawkins and Paul Rickard are also not currently considered by the Board to fulfil the role of an independent Director given that Vivek Bhatia and John Hawkins were nominated as Directors by Link Group and Paul Rickard was nominated by Commonwealth Bank of Australia.

On this basis, the Board does not comply with ASX CGC Recommendation 2.4, as it does not consist of a majority of independent Directors.

Given the history of the Company and the need for Shareholder representation on the Board during the development of PEXA, the Board is satisfied that the composition of the Board currently reflects an appropriate range of skills, experience and knowledge of the Company and the industry in which PEXA operates to enable it to discharge its duties effectively after listing on ASX. The Board will regularly review the independence of each Director in light of interests disclosed to the Board and will disclose any change to ASX as required by the ASX Listing Rules. In addition, the Board believes that its current size is appropriate to discharge its duties effectively and it is comprised of highly experienced business leaders who each meet the fundamentals required to govern an ASX listed company that facilitates digital property settlements and related services.

Furthermore, the Board believes that an effective governance framework requires a board which is diverse in terms of gender, background and capabilities.

6.5.2. Board Charter

The Board has adopted a written charter to provide a framework for the effective operation of the Board, which sets out:

- the roles and responsibilities of the Board, including overseeing:
 - strategic and financial performance;
 - corporate governance;
 - continuous disclosure; and
 - the values and culture of the Company;
- the roles and responsibilities of the Chairman and company secretaries;
- the specific duties of the Chief Executive Officer;
- the delegations of authority of the Board to both committees of the Board, the Chief Executive Officer and management;
- the membership of the Board, including in relation to the Board's composition and size and the process of appointment and re-election of Directors, independence of Directors and conduct of individual Directors;
- Board process, including how the Board meets; and
- the Board's performance evaluation processes, including in respect of its own performance, and the performance of the Board committees, individual Directors and senior executives.

The management function is conducted by, or under the supervision of, the Chief Executive Officer as directed by the Board (and by officers to whom the management function is properly delegated by the Chief Executive Officer). Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively.

Directors are entitled to request additional information at any time they consider it appropriate. The Board collectively, and each Director individually, may seek independent professional advice, subject to the approval of the Chairman, or the Board as a whole.

6.5.3. Board committees

As set out below, the Board has established two standing committees to facilitate and assist the Board in fulfilling its responsibilities. The Board may also establish other committees from time to time to assist in the discharge of its responsibilities.

Board committee	Key responsibilities	Initial composition
Audit and Risk	Responsible for: • overseeing, reviewing and supervising the Company's risk management framework, including reviewing the effectiveness of the risk management framework and promoting a risk management culture; • discharging the Board's responsibilities relative to the financial reporting process, the system of internal control relating to all matters affecting the Company's financial performance and the audit process; • the Company's external audit processes, including appointment and removal of the external auditor and the Company's internal audit processes, including approval of the annual internal and external audit plan;	Melanie Willis (Chair) Mark Joiner Dr Kirstin Ferguson Paul Rickard John Hawkins

Board committee	Key responsibilities	Initial composition
Audit and Risk <i>continued</i>	• monitoring compliance with laws, regulations and Board policies; • monitoring related party disclosures; • adopting and applying appropriate ethical standards in relation to the management of the Company and the conduct of the Company's business; • overseeing the Company's environmental, social and corporate governance framework; • reviewing the adequacy of the Company's insurance policies; and • ensuring the Company and subsidiaries are compliant with all applicable taxation laws and standards.	Melanie Willis (Chair) Mark Joiner Dr Kirstin Ferguson Paul Rickard John Hawkins
Remuneration, Nomination and People	Responsible for: • advising and making recommendations to the Board on the composition of the Board and its committees and the selection and appointment of directors to the Board and its committees; • advising and making recommendations to the Board on succession plans for the Board and ensuring there are plans in place to manage the succession of members of the senior management team; • advising and making recommendations to the Board on the ongoing evaluation of the performance of the Board, its committees and Directors; • assisting the Board with the oversight of a human resources strategy and supporting policies and practices for the Company's employees and Directors, and monitoring the implementation and effectiveness of the strategy, policies and practices; and • assisting the Board with the oversight of remuneration policies and practices for the Company's employees and Directors, and monitoring the implementation and effectiveness of the policies and practices.	Dr Kirstin Ferguson (Chair) Mark Joiner Melanie Willis Vivek Bhatia

Each committee has the responsibilities described in the relevant committee charter adopted by the Company (each of which has been prepared having regard to the ASX CGC Recommendations). A copy of the charters for the above committees is available on the Company's website at www.pexa.com.au.

The initial composition of the committees is set out in the table above. PEXA will comply with the ASX CGC Recommendations in relation to the composition and operation of the Audit and Risk committee. The Audit and Risk committee will have five members, all of whom are non-executive Directors and the majority of whom are independent Directors. The committee is also chaired by an independent Director, who is not the Chairman of the Board. See Section 6.1 for the experience and qualifications of the members of the committee.

The Remuneration, Nomination and People committee will have four members, all of whom are non-executive Directors and a majority of whom are independent Directors. The committee is chaired by an independent Director, who is not the Chairman of the Board. See Section 6.1 for the experience and qualifications of the members of the committee.

6.5.4. Additional corporate governance policies

The Company has also adopted the following key policies, each of which has been prepared having regard to the ASX CGC Recommendations and is available on the Company's website at www.pexa.com.au.

Code of Conduct and Ethics – This policy sets out the standards of ethical behaviour that the Company expects from its Directors, officers, employees and contractors.

Continuous Disclosure Policy – Once listed on ASX, the Company will need to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act to ensure the Company discloses to ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares. As such, this policy sets out certain procedures and measures which are designed to ensure that the Company complies with its continuous disclosure obligations. The Company is committed to taking a proactive approach to continuous disclosure and creating a culture within the Company that promotes and facilitates compliance with the Company's continuous disclosure obligations.

Securities Trading Policy – This policy is designed to maintain investor confidence in the integrity of the Company's internal controls and procedures and to provide guidance on avoiding any breach of insider trading laws.

Diversity and Inclusion Policy – This policy sets out the Company's workplace diversity and inclusion values and responsibilities of the Company's Board and all officers, employees and contractors in achieving diversity amongst its Board, management and employees.

Privacy Policy – PEXA is committed to protecting the safety and security of its subscribers and is sensitive to their concerns about the safety of their personal information provided to PEXA. This policy details how any personal information collected by PEXA is used.

Whistleblower Policy – This policy encourages individuals to raise concerns and report instances of unethical, illegal, socially irresponsible or fraudulent conduct, where there are reasonable grounds to suspect such conduct, without fear of intimidation, disadvantage or reprisal. It contains details regarding the Company's internal whistleblower procedures and the delineation of responsibilities to ensure whistleblower investigations are handled with discretion and are not compromised.

Anti-bribery and Corruption Policy – This Policy sets out the responsibilities of PEXA and its employees or other personnel and representatives in observing and upholding the prohibition on bribery and related improper conduct and provides information and guidance on how to recognise and deal with instances of bribery and corruption.

Shareholder Communications Policy – This policy sets out how the Company communicates with its Shareholders so that information is provided in a timely, transparent and accessible way.

6.6. Related party transactions

- The compensation arrangements with Directors and key management personnel, which are described at Sections 6.4.1, 6.4.2 and 6.4.6;
- The indemnification arrangements with Directors, which are described at Section 6.4.3;
- The interests of Directors and key management personnel, which are described at Sections 6.4.5, 6.4.7 and 6.4.8;
- The Company has entered into a Relationship Deed with each of Commonwealth Bank of Australia and Link Group, which will be effective on Completion of the Offer. See Section 9.3 for further details of the Relationship Deeds.
- Link Market Services Limited, Orient Capital Pty Ltd, Pacific Custodians Pty Ltd and Company Matters Pty Limited, each a related party of Link Property Pty Ltd, have been engaged on arm's length commercial terms to provide registry, investor relations, custodian and corporate governance services respectively to the Company. The fees paid to these entities collectively in FY21 are expected to be no more than \$21,000.
- PEAL and Commonwealth Bank of Australia have entered into a Financial Institution Participation Agreement (as defined in Section 9.7). The participation agreement was entered into on an arm's length basis, on substantially the same terms as the standard form Financial Institution Participation Agreement detailed at Section 9.7. Fees are paid to PEAL on a per-transaction basis for each conveyancing transaction undertaken by Commonwealth Bank of Australia. In FY20, payment to PEAL totalled \$11.9 million.
- Morgan Stanley Australia Securities Limited, a related party of Morgan Stanley Infrastructure Partners, has acted as Joint Lead Manager in relation to the Offer. As set out in Section 9.1 under the terms of the underwriting agreement the Joint Lead Managers will be paid an underwriting fee equal to 1.6% and a management fee equal to 0.4% of the proceeds raised under the Offer (other than the Employee Gift Offer and the Matching Shares). Morgan Stanley Australia Securities Limited will be paid 25% of those fees, expected to be approximately \$5.9 million.
- Morgan Stanley Australia Securities Limited is a related party of Morgan Stanley Infrastructure Partners, a Selling Shareholder. Morgan Stanley Infrastructure Partners intends to sell all or part of its interest in PEXA as part of the Offer.

7 Details of the Offer

7.1. The Offer

This Prospectus relates to an initial public offering of new Shares by PEXA and the sale of existing Shares in PEXA by SaleCo. Based on the Offer Price, the Company will issue 12.6 million new Shares, raising proceeds for the Company of \$216 million, and SaleCo will sell 56.0 million existing Shares, raising proceeds for the Selling Shareholders of \$959 million.

These Shares will be available for investors under the Institutional Offer, Broker Firm Offer, Practitioner Offer, Employee and Director Offer and Employee Gift Offer (as described in Sections 7.3 and 7.4).

Successful Applicants for Shares under the Institutional Offer, Broker Firm Offer, Practitioner Offer and Employee and Director Offer will pay the Offer Price.

Employees and non-executive Directors participating in the Employee and Director Offer will also receive a one for four matching award (at no cost to the employee) from PEXA (the **Matching Shares**).

No consideration is payable under the Employee Gift Offer.

The total number of Shares on issue at Completion will be 177.3 million, and all Shares on issue will rank equally with each other. A summary of the rights attaching to the Shares is set out in Section 7.10. On Completion, Existing Shareholders will hold up to 76.0% of Shares on issue.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.1.1. Structure of the Offer

The Offer comprises the Institutional Offer and the Retail Offer, each of which are described below:

- the Institutional Offer, which consists of an offer to Institutional Investors in Australia and certain other jurisdictions around the world (see Section 7.4); and
- the Retail Offer, which consists of the:
 - Broker Firm Offer, which is open to Australian resident retail clients of Brokers who have received a firm allocation of Shares from their Broker (see Section 7.3.1);
 - Practitioner Offer, which is open to Eligible Practitioners (see Section 7.3.2);
 - Employee and Director Offer, which is open to Eligible Employees and Directors (see Section 7.3.3); and
 - Employee Gift Offer, which is open to Gift Entitled Employees of the Company (see Section 7.3.4).

The allocation of Shares between the Institutional Offer and the Retail Offer, and to participants within the Institutional Offer and Brokers within the Broker Firm Offer, will be determined by the Company and SaleCo in agreement with the Major Shareholders and in consultation with the Joint Lead Managers, having regard to the allocation policies outlined in Section 7.2. For further information regarding the allocation of Shares within each of the Broker Firm Offer, Practitioner Offer, Employee and Director Offer and Employee Gift Offer, see Sections 7.3.1, 7.3.2, 7.3.3 and 7.3.4.

The Offer (other than the Matching Shares and Employee Gift Offer) is underwritten by the Joint Lead Managers. A summary of the Underwriting Agreement, including the events which would entitle the Joint Lead Managers to terminate the Underwriting Agreement, are set out in Section 9.1.

There is no general public offer.

7.1.2. Purpose of the Offer and use of proceeds

The purpose of the Offer is to:

- provide Existing Shareholders with an opportunity to monetise all or part of their investment in PEXA;
- provide Practitioners, Employees and Directors with the opportunity to be Shareholders;
- provide a liquid market for the Shares and an opportunity for others to invest in the Company; and
- provide the Company with access to capital markets and improved capital management flexibility.

The proceeds of the Offer received by the Company will be applied as described in Figure 92. The proceeds of the Offer received by SaleCo in respect of the sale of Shares by it will be paid to SaleCo and paid by SaleCo to the Selling Shareholders.

Figure 92: Sources of funds from the Offer

Sources	\$ million	%
Company		
Cash proceeds received from the issue of new Shares by the Company	216.0	18%
SaleCo		
Cash proceeds received from the sale of existing Shares by SaleCo	959.0	82%
Total sources	1,175.0	100%

Figure 93: Uses of funds from the Offer

Uses	\$ million	%
Company		
Payment of costs of the Offer	50.4 ¹	4%
Partial repayment of shareholder loans	165.6	14%
SaleCo		
Payments to Selling Shareholders of Offer proceeds from the sale of 56.0 million Shares	959.0	82%
Total uses	1,175.0	100%

1. Total costs of the Offer are estimated to be \$50.4 million, of which \$8.5 million (before tax) is directly attributed to the issue of new Shares. The remaining \$41.9 million (before tax) relates to the sale of existing Shares by the Selling Shareholders. All costs of the Offer are borne by the Company.

7.1.3. Pro forma historical statement of financial position

The Company's Pro Forma Historical Statement of Financial Position as at 31 December 2020, including details of the pro forma adjustments, is set out in Section 4.

7.1.4. Capital structure

PEXA's capital structure as at the Prospectus Date, and, as expected, immediately following Completion, is set out below:

Figure 94: Capital Structure

	Number of shares as at the Prospectus Date	Number of shares immediately following Completion
Ordinary shares	164.7 million	177.3 million
Management Equity Plan shares	6.0 million	–

7.1.5. Shareholding structure of the Company

Details of the ownership of Shares immediately prior to the Offer and the ownership of Shares as expected at Completion are set out below.

Figure 95: Shareholding structure

Shareholder	Shares held immediately prior to IPO restructure		Shares held immediately prior to Completion		Shares held immediately after Completion ¹	
	millions	%	millions	%	millions	%
Link Property Pty Ltd	61.0	44.2%	74.6	45.3%	Up to 83.4	Up to 47.0%
Morgan Stanley Infrastructure Partners	55.2	40.0%	55.2	33.5%	–	–%
Commonwealth Bank of Australia	21.8	15.8%	30.9	18.8%	Up to 51.3	Up to 29.0%
Management Equity Plan holders ²	–	–%	4.0	2.4%	3.2	1.8%
New investors	–	–%	–	–%	At least 39.4	At least 22.2%
Total	138.0	100.0%	164.7	100.0%	177.3	100.0%

1A. The Shares held immediately prior to Completion includes the holdings of Commonwealth Bank of Australia and Link Property Pty Ltd following the maximum conversion of their current Shareholder Loans into Shares.

1B. The Shares held at Completion for Commonwealth Bank of Australia and Link Property Pty Ltd reflect their maximum potential holdings post Completion of the Offer, subject to reallocation of Offer Shares as described in Section 7.4.2. However, for the purposes of section 611, exception 12 of the Corporations Act, that maximum number of Shares discloses the maximum relevant interest of Commonwealth Bank of Australia as a consequence of participating in and as promoter of the Offer.

2. Management Equity Planholders do not currently hold ordinary Shares. 3,973,811 Class A, B and C shares held under the Management Equity Plan will be converted to ordinary Shares prior to Completion. See Section 6.4.8.2 for further details.

7.1.6. Control implications of the Offer

The Directors do not expect any Shareholder will control (as defined by section 50AA of the Corporations Act) the Company after Completion.

On Completion, the entity's free float (as defined by the ASX Listing Rules) will be not less than 20%.

7.1.7. Potential effect on the fundraising on the future of PEXA

The Directors believe that on Completion, the Company will have sufficient working capital available from the proceeds of the Offer and its operations to fulfil the purposes of the Offer during the forecast periods and to meet the Company's stated business objectives.

7.2. Terms and conditions of the Offer

Figure 96: Terms and conditions of the Offer

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary shares in PEXA).
What are the rights and liabilities attached to the securities?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.10.
What is the consideration payable for the Shares?	The Offer Price is \$17.13 per Share. Successful Applicants under the Institutional Offer, Broker Firm Offer, Practitioner Offer and Employee and Director Offer (other than in respect of the Consideration Shares) will pay the Offer Price. Employees and Directors participating in the Employee and Director (other than in respect of the Consideration Shares) will also receive a one for four matching award (at no cost to the employee) from PEXA (Matching Shares). No consideration is payable for the Matching Shares, Consideration Shares or Shares issued under the Employee Gift Offer.
What is the Offer period?	The key dates, including details of the Offer period relating to each component of the Offer, are set out on page 6 of this Prospectus. The timetable is indicative only and may change. Unless otherwise indicated, all times are stated in Melbourne time. The Company and SaleCo, in consultation with the Joint Lead Managers, reserve the right to amend any and all of these dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, to accept late Applications (either generally or in particular cases) or to cancel the Offer before Shares are issued by the Company or transferred by SaleCo). If the Offer is cancelled before the issue and transfer of Shares, then all Application Monies will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.
What are the cash proceeds to be raised?	The Offer is expected to raise \$1,175 million in cash. Refer to Figure 92 for detail.
Is the Offer underwritten?	Yes (other than the Matching Shares and Employee Gift Offer).
Who are the Joint Lead Managers for the Offer?	Barrenjoey Advisory Pty Limited, Macquarie Capital (Australia) Limited, Morgan Stanley Australia Securities Limited and UBS AG, Australia Branch.

Topic	Summary
What is the minimum and maximum application size under the Offer?	There is no minimum or maximum application size under the Institutional Offer. The minimum application under the Broker Firm Offer is as directed by the Applicant's Broker and there is no maximum value of Shares that may be applied for under the Broker Firm Offer. The Joint Lead Managers, the Company and SaleCo reserve the right to treat any applications in the Broker Firm Offer that are from persons who they believe may be Institutional Investors, as bids in the Institutional Offer or to reject the application(s). The Joint Lead Managers, the Company and SaleCo also reserve the right to aggregate any applications that they believe may be multiple applications from the same person. Applications under the Practitioner Offer must be for a minimum of \$2,000 worth of Shares. There is no maximum application size under the Practitioner Offer. Applications by Eligible Employees under the Employee and Director Offer must be for a minimum of \$1,000 worth of Shares and a maximum of \$4,000 worth of Shares. Applications by Eligible Employees under the Employee and Director Offer are required to be made in \$1,000 increments from \$1,000 to \$4,000 worth of Shares. There is no minimum application for non-executive Directors under the Employee and Director Offer. Non-executive Directors will receive a maximum allocation of \$100,000 worth of Shares (including the Matching Shares). The independent non-executive Directors will also receive the Consideration Shares.
What is the allocation policy?	The allocation of Shares between the Institutional Offer and the Retail Offer will be determined by the Company and SaleCo in agreement with the Major Shareholders and in consultation with the Joint Lead Managers, having regard to the allocation policies outlined in Section 7.4.2. For Broker Firm Offer participants, it will be a matter for Brokers to determine how they allocate Shares among their eligible retail clients, and brokers (and not the Company, SaleCo or the Joint Lead Managers) will be responsible for ensuring that retail clients who have received an allocation from them receive the relevant Shares. The allocation of Shares under the Practitioner Offer will be determined by the Company, provided that the allocations pursuant to the Practitioner Offer (in aggregate) do not exceed \$30 million. There will not be a maximum application for each Eligible Practitioner. Each Eligible Practitioner will not receive a guaranteed minimum or maximum allocation worth of Shares at the Offer Price. The allocation of Shares under the Employee and Director Offer will be determined by the Company in its sole discretion. Each Eligible Employee will be guaranteed their full application size (subject to the Company being able to apply sufficient funds from an Eligible Employee's sacrificed salary). Directors will be guaranteed their full application size. Employees and Directors participating in the Employee and Director Offer (other than in respect of the Consideration Shares) will also receive Matching Shares on the basis of a one for four matching award (at no cost to the employee). Under the Employee Gift Offer, each Gift Entitled Employee who accepts the Offer will be issued the nearest number of whole Shares to the value of \$1,000 (rounded down) at the Offer Price, at no cost to the employee. The Company, SaleCo, in agreement with the Major Shareholders, and the Joint Lead Managers have absolute discretion regarding the allocation of Shares to Applicants under the Offer, and may reject an application or bid, or allocate fewer Shares than the number or the equivalent dollar amount applied or bid for.

Topic	Summary
When will I receive confirmation that my application has been successful?	It is expected that initial holding statements will be dispatched by standard post on or about 6 July 2021. Refunds to Applicants who make an application and are scaled back will be made as soon as possible after Settlement of the Offer, which is expected to occur on or about 1 July 2021. No refunds will be made where the overpayments relate solely to rounding.
Will the Shares be quoted on ASX?	The Company applied to ASX within seven days of the date of the Original Prospectus for admission to the Official List of ASX and quotation of Shares on ASX under the code "PXA"). The issue/sale price for all Shares will be at least 20 cents in cash. Completion is conditional on ASX approving this application. If approval is not given within three months after such Application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable, in accordance with the requirements of the Corporations Act. The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time. ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of PEXA or the Shares offered for subscription.
When are the Shares expected to commence trading?	It is expected that trading of the Shares on ASX will commence on 1 July 2021, initially on a conditional and deferred settlement basis. Trades occurring on ASX before Settlement will be conditional on the issue and transfer of Shares, and Settlement occurring. Conditional trading will continue until the Company has advised ASX that: • Settlement has occurred; and • the Company has issued Shares, and SaleCo has transferred Shares, to successful Applicants and bidders under the Offer, which is expected to be on or about 2 July 2021. Normal settlement trading is expected to commence on or about 5 July 2021, with holding statements dispatched to Shareholders on or about 6 July 2021. If Settlement has not occurred within 14 days (or such longer period as ASX allows) after the day Shares are first quoted on ASX, the Offer and all contracts arising on acceptance of the Offer and confirmations of allocations will be cancelled and of no further effect and all Application Monies will be refunded (without interest). In these circumstances, all purchases and sales made through ASX participating organisations during the conditional trading period will be cancelled and of no effect. It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial statement of holding do so at their own risk. The Company, SaleCo, the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, even if such person received confirmation of allocation from the PEXA Offer Information Line, a Broker or otherwise.

Topic	Summary
Are there any escrow arrangements?	No, except for escrow arrangements under the Employee and Director Offer, Employee Gift Offer and in respect of the Management Shareholders in connection with the unwind of the MEP. Details are provided in Sections 6.4.8.2, 7.3.3.5, 7.3.4.5 and 9.5.
Has any ASIC relief or ASX waiver been sought, obtained or relied on?	Yes. Details are provided in Section 10.14.
Are there any tax considerations?	Refer to Section 10.9 and note that it is recommended that all Shareholders consult their own independent tax advisers regarding the income tax (including capital gains tax), stamp duty and GST consequences of acquiring, owning and disposing of Shares, having regard to their specific circumstances.
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer. See Section 6.4.10 for details of various fees payable by the Company to the Joint Lead Managers, and by the Joint Lead Managers to the Joint Lead Managers and Brokers.
What should I do with any enquiries?	Enquiries in relation to this Prospectus may be directed to the PEXA Offer Information Line on 1800 129 431 (within Australia) or +61 1800 129 431 (outside Australia) from 8.30am until 5.30pm (Melbourne time) Monday to Friday, excluding public holidays. Enquiries in relation to the Broker Firm Offer should be directed to your Broker. If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.

7.3. Retail Offer

7.3.1. Broker Firm Offer

7.3.1.1 Who may apply

The Broker Firm Offer is open to Australian resident retail clients of Brokers who received a firm allocation of Shares from their Broker and who have a registered address in Australia and are not located in the United States. You should contact your Broker to determine whether you can receive an allocation of Shares under the Broker Firm Offer.

7.3.1.2 How to apply

If you have received an allocation of Shares from your Broker and wish to apply for those Shares under the Broker Firm Offer, you should contact your Broker for information about how to submit your Broker Firm Offer Application Form and for payment instructions. Applicants under the Broker Firm Offer must not send their Application Forms or payment to the Share Registry.

Applicants under the Broker Firm Offer should contact their Broker to request a copy of this Prospectus and Application Form, or download a copy at www.pexa.com.au/ipo. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Application Form and Application Monies are received before 5.00pm AEDT on the Closing Date or any earlier closing date as determined by your Broker.

Broker clients should complete and lodge their Application Form with the Broker from whom they received their invitation to acquire Shares under this Prospectus. Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Application Form.

By making an Application, you declare that you were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Applicants under the Broker Firm Offer should contact their Broker about the minimum and maximum Application size. The Company, SaleCo and the Joint Lead Managers reserve the right to aggregate any Applications that they believe may be multiple Applications from the same person. The Company and SaleCo may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer Application procedures or requirements, in their discretion in compliance with applicable laws.

The Company, SaleCo, the Joint Lead Managers and the Share Registry take no responsibility for any acts or omissions committed by your Broker in connection with your Application.

The Broker Firm Offer opens at 9.00am AEDT on 22 June 2021 and is expected to close at 5.00pm AEDT on 28 June 2021. The Company, SaleCo and the Joint Lead Managers may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer or any part of it may be closed at any earlier time and date, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your Broker for instructions.

7.3.1.3 How to pay

Applicants under the Broker Firm Offer must pay their Application Monies to their Broker in accordance with instructions provided by that Broker.

7.3.1.4 Allocation policy under Broker Firm Offer

The allocation of Shares to Brokers will be determined by the Company and SaleCo, in consultation with the Joint Lead Managers. Shares that are allocated to Brokers for allocation to their clients will be issued or transferred to the Applicants nominated by those Brokers (subject to the right of the Company, SaleCo and the Joint Lead Managers to reject, aggregate or scale back Applications). It will be a matter for each Broker as to how they allocate Shares among their retail clients, and they (and not the Company, SaleCo or the Joint Lead Managers) will be responsible for ensuring that retail clients who have received an allocation from them receive the relevant Shares.

The Company expects to announce the final allocation policy under the Broker Firm Offer on or about Completion. Applicants in the Broker Firm Offer will be able to call the PEXA SaleCo IPO Information Line on 1800 129 431 (within Australia) or +61 1800 129 431 (outside Australia) from 8.30am to 5.30pm AEDT to confirm their allocation. Applicants under the Broker Firm Offer, including those outside Australia, will also be able to confirm their allocation through the Broker from whom they received their allocation.

However, if you sell Shares before receiving a holding statement, you do so at your own risk, even if you obtained details of your holding from the PEXA SaleCo IPO Information Line or confirmed your allocation through a Broker.

7.3.2. Practitioner Offer

7.3.2.1 Who may apply

The Practitioner Offer is open to Eligible Practitioners in Australia who have received a Practitioner Offer invitation to participate. If you are a Practitioner Offer Applicant, you will receive a personalised invitation to apply for Shares in the Practitioner Offer. The Practitioner Offer is not open to persons in the United States.

7.3.2.2 How to apply

Eligible Practitioners may apply for Shares online by completing an electronic application form. Eligible Practitioners will only be able to access and complete their electronic application form once the Offer is open and after they have accessed and downloaded the Prospectus available at www.pexa.com.au/ipo. Eligible Practitioners must comply with the instructions provided in their personalised Practitioner Offer invitation and on the website www.pexa.com.au/ipo.

Applications must be received on or before the Closing Date.

Applications under the Practitioner Offer must be for a minimum of \$2,000 worth of Shares.

7.3.2.3 How to pay

Payment may be made via BPAY® for Practitioner Offer Applicants. Application Monies must be received by the Share Registry by 5.00pm AEDT on 28 June 2021. To make a payment via BPAY®, Practitioner Offer Applicants must apply online at www.pexa.com.au/ipo and must comply with the instructions provided in their personalised Practitioner Offer invitation and on the website. It is your responsibility to ensure that your BPAY® payment or electronic funds transfer payment is received by the Share Registry by no later than 5.00pm AEDT on 28 June 2021. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment.

7.3.2.4 Allocation policy under the Practitioner Offer

There will not be a maximum application for each Eligible Practitioner. Each Eligible Practitioner will not receive a guaranteed minimum or maximum allocation worth of Shares at the Offer Price. Eligible Practitioners may receive their full application, provided that the allocations pursuant to the Practitioner Offer (in aggregate) do not exceed \$30 million. In the event that total Applications are in excess of the aggregated \$30 million, Applications under the Practitioner Offer will be subject to a scaled back number of Shares at the absolute discretion of the Board. The Company has absolute discretion regarding the allocation of Shares to Applicants in the Practitioner Offer and may reject an Application, or allocate fewer Shares than the number or the equivalent dollar amount applied for.

Invitations to Apply under the Practitioner Offer will be made at the absolute discretion of the Company.

To the extent that there are applications in excess of the aggregated \$30 million, your Application may be subject to a scaled back number of Shares.

7.3.3. Employee and Director Offer

7.3.3.1 Who may apply

Eligible Employees and non-executive Directors of the Company are eligible to participate in the Employee and Director Offer. The Employee and Director Offer is not open to persons in the United States.

The Employee and Director Offer comprises an offer to:

- Eligible Employees, for a maximum of \$4,000 of Shares with a 1:4 Matching Share. There are 351 Eligible Employees who may apply for Shares under the Employee and Director Offer;
- non-executive Directors, for a maximum of \$100,000 of Shares (including a 1:4 Matching Share); and
- the independent non-executive Directors, for the Consideration Shares.

7.3.3.2 How to apply

Eligible Employees and Directors may apply for Shares online by completing an electronic application form. Eligible Employees and Directors will only be able to access and complete their electronic application form once the Offer is open and after they have accessed and downloaded the Prospectus available at www.pexa.com.au/ipo. Eligible Employees and non-executive Directors must comply with the instructions provided in their personalised Employee and Director Offer invitation and on the website www.pexa.com.au/ipo.

Applications must be received on or before the Closing Date.

Applications under the Employee and Director Offer must be for:

- in the case of Eligible Employees, a minimum of \$1,000 worth of Shares and a maximum of \$4,000 worth of Shares. Applications are required to be made in \$1,000 increments from \$1,000 to \$4,000 worth of Shares; and
- in the case of non-executive Directors, a maximum of \$100,000 worth of Shares (including the Matching Shares).

Employees and non-executive Directors participating in the Employee and Director Offer (other than the independent non-executive Directors in respect of the Consideration Shares) will also receive Matching Shares from PEXA. For accounting purposes, this is likely to be treated as a share-based payment.

The independent Chairman will also receive a maximum of \$400,000 worth of Consideration Shares and the other independent non-executive Directors will also receive a maximum of \$150,000 worth of Consideration Shares each under the Employee and Director Offer (see Section 6.4.1 for further details). No Applications are required in respect of the Consideration Shares.

7.3.3.3 How to pay

Eligible Employees who correctly submit an Application under the Employee and Director Offer will pay for the Shares with pre-tax income through a salary sacrifice. The salary sacrifice for the Application amount will occur in full in the July pay run (on or around 22 July 2021). Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies to this Offer (subject to the requirements of that Act). For the avoidance of doubt, non-executive Directors cannot pay for the Shares through a salary sacrifice.

Payment by non-executive Directors may be made via BPAY®. Application Monies must be received by the Share Registry by 5.00pm AEDT on 28 June 2021. To make a payment via BPAY®, non-executive Directors must apply online at www.pexa.com.au/ipo and must comply with the instructions provided in their personalised invitation.

7.3.3.4 Allocation policy under the Employee and Director Offer

Subject to the Company being able to apply sufficient funds from an Eligible Employee's sacrificed salary, Eligible Employees will be guaranteed their full application size plus they will receive the Matching Shares (at no cost to the employee) from PEXA. For accounting purposes, this is likely to be treated as a share based payment.

Where an Eligible Employee applies for more Shares under the Employee and Director Offer than can be paid for in full by their sacrificed salary, the Company will scale back the number of Shares allocated to that Eligible Employee to the maximum number of Shares that can be paid for in full.

Non-executive Directors will be guaranteed their full application size under the Employee and Director Offer.

7.3.3.5 Escrow arrangements under Employee and Director Offer

By submitting an Application for Shares under the Employee and Director Offer, each Eligible Employee and non-executive Director agrees that they may not dispose of the Shares acquired under the Employee and Director Offer, and to the application of a holding lock on the Shares acquired under the Employee and Director Offer, until the trading window following release of the Company's results for the financial year ended 30 June 2022. If an Eligible Employee or non-executive Director resigns during the escrow period, they will retain the Shares, which will remain subject to escrow for the balance of the escrow period.

7.3.3.6 Conditions of the Employee and Director Offer

If an Eligible Employee acquires Shares under the Employee and Director Offer and leaves the Company before the July pay run, any termination payment entitlement (or any future salary or wages to which the Eligible Employee may be or become entitled) will be decreased by the cost of the Shares issued to them under the Employee and Director Offer, subject to compliance with the relevant laws.

If the termination payment payable to the Eligible Employee is insufficient to fulfil the amount unpaid by them in respect of their participation in the Employee and Director Offer, then the Company is authorised to sell the shares, use the funds to repay any unpaid amounts in respect of the eligible employee's participation in the Employee and Director Offer and refund the surplus to the Eligible Employee.

7.3.3.7 Income tax considerations for the Employee and Director Offer

Employees are eligible for concessional tax-deferred treatment on the value of the shares they acquire under the Employee Offer. This means that you will only be taxed on the value of the shares when you are no longer restricted from trading them or when you cease employment (whichever occurs first). If you choose to hold your shares beyond the time when tax is payable, you will be subject to tax on any gains from future disposals as though you had acquired the shares for their market value at the time at which they became taxable.

Participating in the Employee Offer will not prevent you from participating in any employee share scheme offered by the Company in the same income year (however, the salary sacrifice deferred tax treatment is only available on shares worth up to \$5,000 in any year).

7.3.4. Employee Gift Offer

7.3.4.1 Who may apply

Gift Entitled Employees of the Company are eligible to participate in the Employee Gift Offer. There are 305 Gift Entitled Employees who may apply for Shares under the Employee Gift Offer.

The Employee Gift Offer is not open to persons in the United States.

7.3.4.2 How to apply

Gift Entitled Employees may apply for Shares online by completing an electronic application form. Gift Entitled Employees will only be able to access and complete their electronic application form once the Offer is open and after they have accessed and downloaded the Prospectus available at www.pexa.com.au/ipo. Gift Entitled Employees must comply with the instructions provided in their personalised Employee Gift Offer invitation and on the website www.pexa.com.au/ipo.

Applications must be received on or before the Closing Date.

7.3.4.3 How to pay

No payment is required in respect of the Employee Gift Offer, therefore payment method is not applicable.

7.3.4.4 Allocation policy under the Employee Gift Offer

Under the Employee Gift Offer, each Gift Entitled Employee who accepts the Offer will be issued the nearest number of whole Shares (rounded down) to the value of \$1,000 at the Offer Price, at no cost to the employee.

7.3.4.5 Escrow arrangements under the Employee Gift Offer

By accepting the Shares under the Employee Gift Offer, each Gift Entitled Employee agrees that they may not dispose of the Shares acquired under the Employee Gift Offer, and to the application of a holding lock on the Shares acquired under the Employee Gift Offer, until the earlier of three years from the date of issue and the employee ceasing to be an employee of the Group. This restriction on disposal will be given effect by the placing of a holding lock on the Shares by the Company's share registrar.

7.3.4.6 Income tax considerations for the Gift Offer

If your taxable income (including reportable fringe benefits, reportable superannuation contributions and total net investment loss) for the year does not exceed \$180,000, you will not be required to pay tax on the value of the shares you acquire under the Gift Offer. You will still be subject to tax on any gains on future disposals. However, for these purposes you will be taken to have acquired the shares for market value.

If your taxable income (including the items mentioned above) exceeds \$180,000, you may still participate in the Gift Offer, however, you will not be eligible for the tax exemption. In these circumstances, the value of the shares (i.e. \$1,000) must be included in your assessable income for the income year in which you acquire the shares.

7.3.5. Acceptance of applications under the Retail Offer

An Application in the Retail Offer is an offer by you to the Company and SaleCo to apply for Shares in the dollar amount specified in the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement document) and the Application Form. To the extent permitted by law, an Application by an Applicant may not be varied and is irrevocable.

An Application may be accepted by the Company and SaleCo in respect of the full amount, or any amount lower than that specified on the Application Form, without further notice to the Applicant. The Company and SaleCo reserve the right to decline any Application if they believe any provisions or procedures in this Prospectus, the Application Form or other laws or regulations may not be complied with in relation to the Application.

The Company, SaleCo and the Joint Lead Managers reserve the right to reject any Application which is not correctly completed or which is submitted by a person whom they believe is ineligible to participate in the Retail Offer, or to waive or correct any errors made by the Applicant in completing their Application. In addition, the Company, SaleCo and the Joint Lead Managers reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person or reject or scale back any Applications (or aggregation of applications) in the Broker Firm Offer which are for more than \$250,000 worth of Shares.

Subject to any guaranteed allocation, the final allocation of Shares to Applicants in the Retail Offer will be at the absolute discretion of the Company, in consultation with the Joint Lead Managers, and the Company may reject an Application, or allocate fewer Shares than the number, or the equivalent dollar amount, applied for.

Successful Applicants in the Broker Firm Offer, Practitioner Offer and Employee and Director Offer will be allotted Shares at the Offer Price.

Applicants under the Employee Gift Offer will be allotted Shares at no cost to the Applicant.

No refunds will be made where the overpayments relate solely to rounding.

Acceptance of an Application will give rise to a binding contract, conditional on Settlement and quotation of Shares on ASX on an unconditional basis.

7.3.6. Application monies

Application Monies received by PEXA under the Retail Offer will be held in a special purpose account until Shares are issued or transferred to successful Applicants.

Applicants under the Retail Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund (without interest) of all or part of their Application Monies, as applicable.

No refunds will be made where the overpayments relate solely to rounding. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by PEXA.

You should ensure that sufficient funds are held in the relevant account(s) to cover the amount of your cheque(s), bank draft(s) or BPAY® payment. If the amount of your cheque(s), bank draft(s) or BPAY® payment for Application Monies (or the amount for which those cheque(s) or bank draft(s) clear in time for allocation) is less than the amount specified on the Application Form, you may be taken to have applied for such lower dollar amount of Shares or your Application may be rejected.

It is your responsibility to ensure that your BPAY® payment or electronic funds transfer payment is received by the Share Registry by no later than 5.00pm AEDT on 28 June 2021. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment.

7.4. Institutional Offer

7.4.1. Invitations to bid

Under the Institutional Offer, Institutional Investors in Australia, New Zealand and certain other eligible jurisdictions outside the United States were invited to bid for an allocation of Shares under this Prospectus. In addition, certain Institutional Investors in the United States were invited to subscribe for an allocation of Shares under the U.S. Institutional Offering Memorandum. The Joint Lead Managers have separately advised the Institutional Investors of the application procedures for the Institutional Offer.

Prior to the date of this Prospectus, Commonwealth Bank of Australia, Link Group and a number of Institutional Investors have committed to the Joint Lead Managers to acquire, and will be allocated, 68.6 million Shares at the Offer Price under this Prospectus or the U.S. Institutional Offering Memorandum through the Institutional Offer (subject to scale back based on demand received by other Institutional Investors and under the Broker Firm Offer, and through applications received in the Practitioner Offer and Employee and Director Offer).

7.4.2. Allocation policy under the Institutional Offer

The allocation of Shares among Applications in the Institutional Offer was determined by the Company, in agreement with the Major Shareholders and in consultation with the Joint Lead Managers. The Company, in agreement with the Major Shareholders and in consultation with the Joint Lead Managers, had absolute discretion regarding the basis of allocation of Shares among Commonwealth Bank of Australia, Link Group and Institutional Investors.

Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Joint Lead Managers. The allocation policy was influenced by the following factors:

- number of Shares bid for by particular Applicants;
- the timeliness of the bid by particular Applicants;
- the Company's desire for an informed and active trading market following Completion;
- the Company's desire to establish a wide spread of institutional Shareholders;
- overall level of demand under the Retail Offer and the Institutional Offer;
- the size and type of funds under management of particular Applicants;
- the likelihood that particular Applicants will be long-term Shareholders; and
- any other factors that the Company, SaleCo and the Joint Lead Managers considered appropriate.

The Joint Lead Managers, the Company and SaleCo have reserved the right to reallocate a portion of Offer Shares allocated to Commonwealth Bank of Australia and Link Group for allocation to other Institutional Investors and under the Broker Firm Offer, and to applications made under the Practitioner Offer, Employee and Director Offer and Employee Gift Offer. Reallocations may be made in the Joint Lead Managers, the Company and SaleCo's complete discretion, including having regard to one or more of the factors described above, or as otherwise agreed with Commonwealth Bank of Australia and Link Group. Commonwealth Bank of Australia and Link Group will be advised of any reallocations made by the Joint Lead Managers, the Company and SaleCo prior to Settlement.

7.5. Acknowledgements

Each Applicant under the Offer will be deemed to have:

- agreed to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- acknowledged having personally received a complete and unaltered printed or electronic copy of this Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and having read them all in full;
- declared that all details and statements in their Application Form are complete and accurate;
- declared that the Applicant(s), if a natural person, is/are over 18 years of age;
- acknowledged that, once the Company or a Broker receives an Application Form, it may not be withdrawn;
- applied for the number of Shares at the Australian dollar amount shown on the front of the Application Form;
- agreed to being allocated and issued or transferred the number of Shares applied for (or a lower number allocated in a way described in this Prospectus), or no Shares at all;
- authorised the Company, SaleCo, the Joint Lead Managers and their respective officers or agents, to do anything on behalf of the Applicant(s) necessary for Shares to be allocated to the Applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
- acknowledged that, in some circumstances, the Company may not pay dividends, or that any dividends paid may not be franked;
- acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that Shares are suitable for the Applicant(s), and does not take into account the personal circumstances, investment objectives, financial situation and particular needs (including financial and taxation issues) of the Applicant(s);
- declared that the Applicant(s) is/are a resident of Australia (except as applicable to the Institutional Offer and is/are not in the United States);
- acknowledged and agreed that the Offer may be withdrawn by the Company or may otherwise not proceed in the circumstances described in this Prospectus; and
- acknowledged and agreed that if listing does not occur for any reason, the Offer will not proceed.

Each Applicant in the Retail Offer, and each person to whom the Institutional Offer has been made under this Prospectus, will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or resold in the United States except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act and any other applicable securities laws of any state or other jurisdiction of the United States;
- it is not in the United States, and it is purchasing the Shares in an “offshore transaction” (as defined in Rule 902(h) under the U.S. Securities Act) in reliance on Regulation S under the U.S. Securities Act;
- it has not sent and will not send this Prospectus or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration requirements of the U.S. Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold.

7.6. Underwriting arrangements

The Offer (other than the Matching Shares and Employee Gift Offer) is underwritten. The Joint Lead Managers, PEXA and SaleCo have entered into an Underwriting Agreement under which the Joint Lead Managers have been appointed as Joint Lead Managers, bookrunners and underwriters of the Offer. The Joint Lead Managers agree, subject to certain conditions and termination events, to underwrite the Offer (other than the Matching Shares and Employee Gift Offer). The Underwriting Agreement sets out a number of circumstances under which the Joint Lead Managers may terminate the Underwriting Agreement and their underwriting obligations.

A summary of certain terms of the Underwriting Agreement and underwriting arrangements, including the termination provisions, is provided in Section 9.1.

7.7. Restriction on distribution

No action has been taken to register or qualify the Shares that are the subject of the Offer, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia.

The Prospectus does not constitute an offer or invitation to apply for Shares in any jurisdiction where, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. In particular, this Prospectus may not be released or distributed in the United States.

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. In particular, the Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act and any other applicable U.S. securities laws.

Each Applicant under the Institutional Offer will be required to make certain representations, warranties and undertakings set out in the confirmation of allocation letter distributed to it.

For more information on the other selling restrictions which apply to the Offer, refer to Section 10.8.

7.8. Discretion regarding the Offer

The Company may withdraw the Offer at any time before the issue or transfer of Shares to successful Applicants. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

The Company, SaleCo and the Joint Lead Managers also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application, or allocate to any Applicant fewer Shares than the number, or equivalent dollar amount, applied for.

7.9. ASX listing, registers, conditional and deferred settlement trading

7.9.1. Application to ASX for listing of the Company and quotation of Shares

The Company applied to ASX within seven days of the date of the Original Prospectus for admission to the Official List and quotation of Shares on ASX (which is expected to be under the code “PXA”).

ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered under this Prospectus.

If permission is not granted for the official quotation of the Shares on ASX within three months after such application is made (or any later date permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

Subject to certain conditions (including any waivers obtained by the Company from time to time), the Company will be required to comply with the ASX Listing Rules.

7.9.2. CHESS and issuer sponsored holdings

The Company will apply to participate in ASX’s Clearing House Electronic Subregister System (**CHESS**) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, being an electronic CHESS subregister or an issuer sponsored subregister. For all successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister.

Following Completion, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder’s Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Securityholder Reference Number (**SRN**) of issuer sponsored holders.

Shareholders will subsequently receive statements showing any changes to their holding. Share certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder’s sponsoring broker in the case of a holding on the CHESS subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister. The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

7.9.3. Conditional and deferred settlement trading and selling Shares on-market

It is expected that trading of the Shares on ASX will commence on ASX on or about 1 July 2021, initially on a conditional and deferred settlement basis.

The contracts formed on acceptance of Applications will be conditional on the ASX agreeing to quote the Shares on the ASX, and on issue occurring. Trades occurring on the ASX before issue occurring will be conditional on issue occurring.

If the Offer is withdrawn after Shares have commenced trading on a conditional and deferred settlement basis, all contracts for the sale of the Shares on ASX would be cancelled and any Application Monies received would be refunded as soon as possible (without interest).

If Settlement has not occurred within 14 days (or such longer period as ASX allows) after the day Shares are first quoted on ASX, the Offer and all contracts arising on acceptance of the Offer and confirmations of allocations will be cancelled and of no further effect and all Application Monies will be refunded (without interest). In these circumstances, all purchases and sales made through ASX participating organisations during the conditional trading period will be cancelled and of no effect.

After the basis for allocations has been determined, Applicants will also be able to call the PEXA IPO Information Line on 1800 129 431 (toll free within Australia) or +61 1800 129 431 (outside Australia) in each case, open from 8.30am to 5.30pm AEDT Monday to Friday until Completion, or their Broker, to confirm their allocations.

It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. If you sell Shares before receiving a holding statement, you do so at your own risk. The Joint Lead Managers, the Company, SaleCo and the Share Registry disclaim all liability, whether in negligence or otherwise, if you sell Shares before receiving your holding statement, even if you obtained details of your holding from the PEXA IPO Information Line or confirmed your firm allocation of Shares through a Broker.

Normal settlement trading is expected to commence on or about 5 July 2021, with holding statements dispatched to Shareholders on or about 6 July 2021.

7.10. Summary of rights and liabilities attaching to Shares

The rights and liabilities attaching to the ownership of the Shares arise from a combination of the Constitution, statute, the ASX Listing Rules, the ASX Settlement Operating Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that the Company is admitted to the Official List.

7.10.1. Meetings of Shareholders

Every Shareholder is entitled to receive notice of, attend, and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the ASX Listing Rules.

7.10.2. Voting at a general meeting

At a general meeting of the Company, every Shareholder present in person or by proxy, representative or attorney and entitled to vote is entitled to one vote for each fully paid Share held by the Shareholder or a fraction of a vote for a Share on which payment remains owing.

7.10.3. Dividends

The Board may from time to time resolve to pay dividends to Shareholders and fix the amount of the dividend, the time for determining entitlements to the dividend and the timing and method of payment.

For further information in respect of the Company's proposed dividend policy, see Section 4.12.

7.10.4. Transfer of Shares

Subject to the Constitution and the ASX Listing Rules, Shares may be transferred by a proper transfer effected in accordance with the ASX Settlement Operating Rules, by written instrument of transfer which complies with the Constitution or by any other method permitted by the Corporations Act, ASX Listing Rules or ASX Settlement Operating Rules.

The Board may refuse to register a transfer of Shares where permitted to do so under the Corporations Act, ASX Listing Rules or the terms of issue of the Shares. The Board must refuse to register a transfer of Shares when required by the Corporations Act, ASX Listing Rules or ASX Settlement Operating Rules.

7.10.5. Issue of further shares

Subject to the Corporations Act, ASX Listing Rules, any law or any provision of the Constitution and any rights and restrictions attached to a class of Shares, the Company may issue, or grant options in respect of, further Shares on such terms and conditions as the Directors resolve.

7.10.6. Preference Shares

The Company may issue preference shares, including preference shares which are liable to be redeemed or convertible into ordinary shares. The rights attaching to those are set out in the Constitution unless other rights have been approved by special resolution.

7.10.7. Winding Up

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company, distribute among the Shareholders all or any part of the assets of the Company; and for that purpose, the liquidator may determine how the assets are to be distributed as between the Shareholders or different classes of Shareholders; value the assets to be distributed in such manner as the liquidator thinks fit; and vest the whole or any part of any assets in such trustees and on such trusts for the benefit of the Shareholders entitled to the distribution of those assets as the liquidator thinks fit.

7.10.8. Unmarketable parcels

Subject to the Corporations Act, ASX Listing Rules and ASX Settlement Operating Rules, the Company may sell the Shares of a Shareholder who holds less than a marketable parcel of Shares.

7.10.9. Share buy backs

Subject to the Corporations Act, ASX Listing Rules and ASX Settlement Operating Rules, the Company may buy back Shares in itself on terms and at times determined by the Board.

7.10.10. Variation of class rights

Subject to the Corporations Act and the terms of issue of a class of Shares, the rights attaching to any class of Shares may be varied:

- with the consent in writing of the holders of three-quarters of the issued Shares included in that class; or
- by a special resolution passed at a separate meeting of the holders of those Shares.

7.10.11. Reduction of share capital

Subject to the Constitution, and any rights attaching any class of Shares, the Company may reduce its share capital in any way permissible by the Corporations Act and the ASX Listing Rules.

7.10.12. Proportional takeover provisions

The Constitution contains provisions for Shareholder approval to be required in relation to any proportional takeover bid.

These provisions will cease to apply unless renewed by special resolution of the Shareholders in general meeting by the third anniversary of the date of the Constitution's adoption.

7.10.13. Dividend reinvestment plans

The Constitution authorises the Directors, on any terms and at their discretion (subject to the ASX Listing Rules), to establish a dividend reinvestment plan (under which any Shareholder may elect that the dividends payable by the Company be reinvested by a subscription for securities).

7.10.14. Directors – appointment and rotation

Under the Constitution, the minimum number of Directors that may comprise the Board is three and the maximum number of Directors is nine unless determined otherwise by ordinary resolution of the Company in general meeting. The maximum number of Directors must not be determined by the Company to be less than the number of Directors in office at the time of any such ordinary resolution. Directors are elected at general meetings of the Company. Retirement will occur on a rotational basis so that no Director (excluding the Chief Executive Officer) holds office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected or three years, whichever is longer. The Board may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who will then hold office until the next annual general meeting of the Company.

7.10.15. Directors – voting

Questions arising at any meeting of Directors shall be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. Subject to the ASX Listing Rules, in the case of an equality of votes on a resolution, the chairman of the meeting will not have a casting vote in addition to a deliberative vote.

7.10.16. Directors' and officers' indemnity

The Company must, to the extent permitted by law, indemnify a Director, secretary or other officer of the Company or its subsidiaries against any liability incurred by that person in that capacity, including certain legal costs.

The Company may enter into and pay premiums on a contract insuring any current or former Director, secretary or other officer of the Company or its subsidiaries against any liability incurred by that person in that capacity, including legal costs, unless prohibited by law.

PEXA has entered into deeds of access, indemnity and insurance with each Director and each Director of SaleCo. These are summarised in Section 6.4.3.

7.10.17. Amendment

The Constitution can only be amended by special resolution passed by at least three quarters of the votes cast by Shareholders present (in person or by proxy) and entitled to vote on the resolution at a general meeting of the Company. The Company must give at least 28 days' written notice of a general meeting of PEXA.

8

Independent Limited Assurance Report



Ernst & Young Strategy and
Transactions Limited
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21 June 2021

The Board of Directors
Torrens Group Holdings Limited (to be renamed PEXA
Group Limited)
Tower 4, Level 16 Collins Square
727 Collins Street
Melbourne VIC 3008

The Board of Directors
PEXA SaleCo Limited
Tower 4, Level 16 Collins Square
727 Collins Street
Melbourne VIC 3008

Dear Directors

**PART 1 – INDEPENDENT LIMITED ASSURANCE REPORT ON STATUTORY HISTORICAL
FINANCIAL INFORMATION, PRO FORMA HISTORICAL FINANCIAL INFORMATION,
STATUTORY FORECAST FINANCIAL INFORMATION AND PRO FORMA FORECAST
FINANCIAL INFORMATION**

1. Introduction

We have been engaged by Torrens Group Holdings Limited (to be renamed PEXA Group Limited) (the “Company” or “PEXA”) and PEXA SaleCo Limited (“SaleCo”) to report on the statutory historical financial information of Torrens Group Holdings Pty Ltd and the pro forma historical financial information, statutory forecast financial information and pro forma forecast financial information of PEXA for inclusion in the replacement prospectus to be dated 21 June 2021 which replaces the prospectus issued by the Company dated 14 June 2021 and lodged with ASIC on that date (“Prospectus”), and to be issued by the Company and SaleCo, in respect of an offer of fully paid ordinary shares in the Company (the “Offer”).

Expressions and terms defined in the Prospectus have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian Financial Services Licence under the *Corporations Act 2001*. Ernst & Young Strategy and Transactions Limited (“Ernst & Young Strategy and Transactions”) holds an appropriate Australian Financial Services Licence (AFS Licence Number 240585). David Lomax is a Director and Representative of Ernst & Young Strategy and Transactions. We have included our Financial Services Guide as Part 2 of this report.

A member firm of Ernst & Young Global Limited
Ernst & Young Strategy and Transactions Limited, ABN 87 003 599 844
Australian Financial Services Licence No. 240585



2. Scope

Statutory Historical Financial Information

You have requested Ernst & Young Strategy and Transactions to review the following statutory historical financial information of Torrens Group Holdings Pty Ltd:

- ▶ the statutory historical consolidated income statements for the financial years ended 30 June 2019 ("FY19") and 30 June 2020 ("FY20") and the half years ended 31 December 2019 ("1H FY20") and 31 December 2020 ("1H FY21") as disclosed in Figure 49 of Section 4.3.4 and Figure 50 of Section 4.3.5 of the Prospectus;
- ▶ the statutory historical consolidated statement of financial position as at 31 December 2020 as disclosed in Figure 59 of Section 4.4.1 of the Prospectus; and
- ▶ the statutory historical consolidated cash flows for FY19, FY20, 1H FY20 and 1H FY21 as disclosed in Figures 63 and 64 of Section 4.5.2 of the Prospectus.

(Hereafter, the "Statutory Historical Financial Information").

The Statutory Historical Financial Information for FY19 and FY20 has been derived from the consolidated financial statements of Torrens Group Holdings Pty Ltd for FY19 and FY20, as re-issued on 21 May 2021, which were audited by Ernst & Young in accordance with Australian Auditing Standards. Ernst & Young issued unqualified audit opinions on these financial statements and included an emphasis of matter that these consolidated financial statements were revised and reissued. The Statutory Historical Financial Information for 1H FY21 and 1H FY20 has been derived from the interim consolidated financial statements of Torrens Group Holdings Pty Ltd for 1H FY21 (which includes information for the 1H FY20 comparative period). The interim consolidated financial statements of Torrens Group Holdings Pty Ltd for 1H FY21 were reviewed by Ernst & Young in accordance with Auditing Standards on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Ernst & Young issued an unqualified review conclusion on these interim financial statements.

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles of Australian Accounting Standards ("AAS") issued by the Australian Accounting Standards Board, which are consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Pro Forma Historical Financial Information

You have requested Ernst & Young Strategy and Transactions to review the following pro forma historical financial information of PEXA:

- ▶ the pro forma historical consolidated income statements for the financial year ended 30 June 2018 ("FY18"), FY19, FY20, 1H FY20 and 1H FY21 as disclosed in Figure 45 of Section 4.3.1 and Figure 46 of Section 4.3.2 of the Prospectus;
- ▶ the pro forma historical consolidated statement of financial position as at 31 December 2020 as disclosed in Figure 59 of Section 4.4.1 of the Prospectus; and



- ▶ the pro forma historical consolidated cash flows for FY18, FY19, FY20, 1H FY20 and 1H FY21 as disclosed in Figures 61 and 62 of Section 4.5.1 of the Prospectus.

(Hereafter, the “Pro Forma Historical Financial Information”).

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information of PEXA adjusted for the effects of the pro forma adjustments described in Sections 4.3.7, 4.3.8, 4.4.1 and 4.5.3 of the Prospectus.

The Pro Forma Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles of AAS other than that it includes certain adjustments that have been prepared in a manner consistent with AAS, which reflect: (i) the recognition of certain items in periods different from the applicable period under AAS; (ii) the exclusion of certain transactions that occurred in the relevant periods; and (iii) the impact of certain transactions as if they had occurred on or before 1 July 2017.

Due to its nature, the Pro Forma Historical Financial Information does not represent the actual or prospective financial performance, financial position and cash flows of the Company.

Statutory Forecast Financial Information

You have requested Ernst & Young Strategy and Transactions to review the following statutory forecast financial information of PEXA:

- ▶ the statutory forecast consolidated income statements for the years ending 30 June 2021 (“FY21”) and 30 June 2022 (“FY22”) as disclosed in Figure 49 of Section 4.3.4 of the Prospectus; and
- ▶ the statutory forecast consolidated cash flows for FY21 and FY22 as disclosed in Figure 63 of Section 4.5.2 of the Prospectus.

(Hereafter, the “Statutory Forecast Financial Information”).

The directors’ best-estimate assumptions underlying the Statutory Forecast Financial Information are described in Sections 4.8.1 and 4.8.2 of the Prospectus.

The stated basis of preparation used in the preparation of the Statutory Forecast Financial Information is in accordance with the recognition and measurement principles of AAS issued by the Australian Accounting Standards Board, which are consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Pro Forma Forecast Financial Information

You have requested Ernst & Young Strategy and Transactions to review the following pro forma forecast financial information of PEXA:



- ▶ the pro forma forecast consolidated income statements for FY21 and FY22 as disclosed in Figure 45 of Section 4.3.1 of the Prospectus; and
- ▶ the pro forma forecast consolidated cash flows for FY21 and FY22 as disclosed in Figure 61 of Section 4.5.1 of the Prospectus.

(Hereafter, the “Pro Forma Forecast Financial Information”).

(the Statutory Historical Financial Information, Pro Forma Historical Financial Information, Statutory Forecast Financial Information and Pro Forma Forecast Financial Information are collectively referred to as the “Financial Information”).

The Pro Forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information, after adjusting for the effects of the pro forma adjustments described in Figure 53 and Figure 65 of Sections 4.3.7 and 4.5.3 respectively of the Prospectus.

The Pro Forma Forecast Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles of AAS, other than that it includes certain adjustments that have been prepared in a manner consistent with AAS, which reflect: (i) the recognition of certain items in periods different from the applicable period under AAS; (ii) the exclusion of certain transactions that are forecast to occur in the relevant periods; and (iii) the impact of certain transactions as if they occurred on or after 1 July 2020.

Due to its nature, the Pro Forma Forecast Financial Information does not represent the actual or prospective financial performance and cash flows of the Company for FY21 and FY22.

The Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

3. Directors' Responsibility

Statutory Historical Financial Information and Pro Forma Historical Financial Information

The directors of the Company (the “Directors”) are responsible for the preparation and presentation of the Statutory Historical Financial Information and Pro Forma Historical Financial Information, including the basis of preparation, selection and determination of pro forma adjustments made to the Statutory Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the Directors determine are necessary to enable the preparation of Statutory Historical Financial Information and Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.



Statutory Forecast Financial Information and Pro Forma Forecast Financial Information

The Directors are responsible for the preparation and presentation of the Statutory Forecast Financial Information for FY21 and FY22, including the basis of preparation and the best-estimate assumptions underlying the Statutory Forecast Financial Information. They are also responsible for the preparation and presentation of the Pro Forma Forecast Financial Information for FY21 and FY22, including the basis of preparation, selection and determination of the pro forma adjustments made to the Statutory Forecast Financial Information and included in the Pro Forma Forecast Financial Information. This includes responsibility for such internal controls as the Directors determine are necessary to enable the preparation of Statutory Forecast Financial Information and Pro Forma Forecast Financial Information that is free from material misstatement, whether due to fraud or error.

4. Our Responsibility

Statutory Historical Financial Information and Pro Forma Historical Financial Information

Our responsibility is to express a limited assurance conclusion on the Statutory Historical Financial Information and Pro Forma Historical Financial Information based on the procedures performed and the evidence we have obtained.

Statutory Forecast Financial Information and Pro Forma Forecast Financial Information

Our responsibility is to express a limited assurance conclusion on the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information, the best-estimate assumptions underlying the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information, and the reasonableness of the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information themselves, based on our limited assurance engagement.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other limited assurance procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the Financial Information.



5. Conclusions

Statutory Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information of Torrens Group Holdings Pty Ltd comprising:

- ▶ the statutory historical consolidated income statements for FY19, FY20, 1H FY20 and 1H FY21 as disclosed in Figure 49 of Section 4.3.4 and Figure 50 of Section 4.3.5 of the Prospectus;
- ▶ the statutory historical consolidated statement of financial position as at 31 December 2020 as disclosed in Figure 59 of Section 4.4.1 of the Prospectus; and
- ▶ the statutory historical consolidated cash flows for FY19, FY20, 1H FY20 and 1H FY21 as disclosed in Figures 63 and 64 of Section 4.5.2 of the Prospectus,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4.2.1 of the Prospectus.

Pro Forma Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information of PEXA comprising:

- ▶ the pro forma historical consolidated income statements for FY18, FY19, FY20, 1H FY20 and 1H FY21 as disclosed in Figure 45 of Section 4.3.1 and Figure 46 of Section 4.3.2 of the Prospectus;
- ▶ the pro forma historical consolidated statement of financial position as at 31 December 2020 as disclosed in Figure 59 of Section 4.4.1 of the Prospectus; and
- ▶ the pro forma historical consolidated cash flows for FY18, FY19, FY20, 1H FY20 and 1H FY21 as disclosed in Figures 61 and 62 of Section 4.5.1 of the Prospectus,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4.2.1 of the Prospectus.

Statutory Forecast Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that:

- ▶ the Directors' best-estimate assumptions used in the preparation of the Statutory Forecast Financial Information of PEXA for FY21 and FY22 do not provide reasonable grounds for the Statutory Forecast Financial Information;
- ▶ in all material respects, the Statutory Forecast Financial Information:
 - is not prepared on the basis of the Directors' best-estimate assumptions as described in Sections 4.8.1 and 4.8.2 of the Prospectus; and
 - is not presented fairly in accordance with the stated basis of preparation, as described in Section 4.2.1 of the Prospectus; and
- ▶ the Statutory Forecast Financial Information itself is unreasonable.



Pro Forma Forecast Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that:

- ▶ the Directors' best-estimate assumptions used in the preparation of the Pro Forma Forecast Financial Information of PEXA for FY21 and FY22 do not provide reasonable grounds for the Pro Forma Forecast Financial Information;
- ▶ in all material respects, the Pro Forma Forecast Financial Information:
 - is not prepared on the basis of the Directors' best-estimate assumptions as described in Sections 4.8.1 and 4.8.2 of the Prospectus; and
 - is not presented fairly in accordance with the stated basis of preparation, as described in Section 4.2.1 of the Prospectus; and
- ▶ the Pro Forma Forecast Financial Information itself is unreasonable.

Statutory Forecast Financial Information and Pro Forma Forecast Financial Information

The Statutory Forecast Financial Information and Pro Forma Forecast Financial Information has been prepared by management and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance and cash flows of PEXA for FY21 and FY22. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material. The Directors' best-estimate assumptions on which the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information is based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of PEXA. Evidence may be available to support the Directors' best-estimate assumptions on which the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information is based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the Directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in the Company, which are detailed in the Prospectus and the inherent uncertainty relating to the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in Sections 4.11 and 5 of the Prospectus. The sensitivity analysis described in Section 4.11 of the Prospectus demonstrates the impact on the Pro Forma Forecast Financial Information of changes in key best-estimate assumptions. We express no opinion as to whether the statutory forecast or pro forma forecast will be achieved.



We disclaim any assumption of responsibility for any reliance on this report, or on the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of PEXA, that all material information concerning the prospects and proposed operations of PEXA has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

6. Restriction on Use

Without modifying our conclusions, we draw attention to Section 4.2.1 of the Prospectus, which describes the purpose of the Financial Information. As a result, the Financial Information may not be suitable for use for another purpose.

7. Consent

Ernst & Young Strategy and Transactions has consented to the inclusion of this independent limited assurance report in the Prospectus in the form and context in which it is included.

8. Independence or Disclosure of Interest

Ernst & Young Strategy and Transactions does not have any interests in the outcome of the Offer other than in the preparation of this report for which normal professional fees will be received.

Yours faithfully,

Ernst & Young Strategy and Transactions Limited

A handwritten signature in dark ink, appearing to read 'David Lomax', is positioned above the printed name.

David Lomax
Director and Representative



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Transactions Limited
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21 June 2021

**THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INDEPENDENT
LIMITED ASSURANCE REPORT**

PART 2 – FINANCIAL SERVICES GUIDE

1. Ernst & Young Strategy and Transactions

Ernst & Young Strategy and Transactions Limited (“Ernst & Young Strategy and Transactions” or “we,” or “us” or “our”) has been engaged to provide general financial product advice in the form of an Independent Limited Assurance Report (“Report”) in connection with a financial product of another person. The Report is to be included in documentation being sent to you by that person.

2. Financial Services Guide

This Financial Services Guide (“FSG”) provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- ▶ financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- ▶ arranging to deal in securities.

4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.



5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority. The estimated fee for this Report is \$67,000 (inclusive of GST).

Ernst & Young Strategy and Transactions is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Except for the fees and benefits disclosed in Section 6.4.10 of the Prospectus, Ernst & Young Strategy and Transactions, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

6. Associations with product issuers

Ernst & Young Strategy and Transactions and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

7. Responsibility

The liability of Ernst & Young Strategy and Transactions, if any, is limited to the contents of this Financial Services Guide and the Report.

8. Complaints process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the AFS Compliance Manager or the Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Complaints Authority Limited.



9. Compensation Arrangements

Ernst & Young and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Ernst & Young's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Ernst & Young satisfy the requirements of section 912B of the Corporations Act 2001.

Contacting Ernst & Young Strategy and Transactions Limited AFS Compliance Manager Ernst & Young 200 George Street Sydney NSW 2000 Telephone: (02) 9248 5555	Contacting the Independent Dispute Resolution Scheme: Australian Financial Complaints Authority Limited GPO Box 3 Melbourne, VIC 3001 Telephone: 1800 931 678

This Financial Services Guide has been issued in accordance with ASIC Corporations (Financial Services Guides) Instrument 2015/541.

9 Material Contracts



The Directors consider that the contracts described below are those which an investor would reasonably regard as material and which investors and their professional advisers would reasonably expect to find described in this Prospectus for the purpose of making an informed assessment of an investment in the Company under the Offer.

9.1. Underwriting Agreement

The Joint Lead Managers, the Company and SaleCo entered into an underwriting agreement on 29 May 2021 (**Underwriting Agreement**) and amended on 11 June 2021. Under the Underwriting Agreement, the Joint Lead Managers have agreed to manage, book run and underwrite the Offer (other than the Employee Gift Offer and the Matching Shares, which are not underwritten) on the terms and conditions of that agreement.

9.1.1. Commissions, fees and expenses

The Company has agreed to pay the Joint Lead Managers an underwriting fee equal to 1.6% and a management fee equal to 0.4% of the proceeds raised under the Offer (other than the Employee Gift Offer and the Matching Shares). The underwriting and management fees will become payable by the Company on Settlement and will be paid to the Joint Lead Managers in equal proportions.

The Company has agreed to pay some or all of the Joint Lead Managers an incentive fee of up to 0.75% of the proceeds raised under the Offer (other than the Employee Gift Offer and the Matching Shares) in aggregate. The amount and allocation of this incentive fee amongst the Joint Lead Managers will be determined by the Major Shareholders of the Company in their absolute discretion, with payment to occur no later than 10 business days after Settlement.

The Joint Lead Managers are responsible for the payment (and the Company has authorised the Joint Lead Managers to make payment on its behalf) of any commission and fees due to any brokers to the Offer (other than the Employee Gift Offer) out of the fees payable to the Joint Lead Managers by the Company under the Underwriting Agreement.

In addition to the fees described above, the Company has agreed to reimburse the Joint Lead Managers for certain agreed costs and expenses incurred by the Joint Lead Managers in relation to the Offer.

9.1.2. Termination events

A Joint Lead Manager may, at any time after the date of the Underwriting Agreement and before 11.59pm on the Settlement date (without cost or liability by notice to the Company, SaleCo and the other Joint Lead Managers), terminate if any of the following events occur (not exhaustive):

- a statement contained in this Prospectus or certain other public disclosures is or becomes misleading or deceptive (including by omission), including having regard to sections 710, 711, 715A or 716 of the Corporations Act) which in either case requires the issue of a supplementary or replacement prospectus;
- disclosures in the U.S. offer document or certain other U.S. pricing disclosure packages includes an untrue statement of a material fact or an omission of a material fact necessary in order to make the statements in those, in the light of the circumstances under which they were made, not misleading;
- the Company and SaleCo issue, or become required to issue, a supplementary prospectus or amend or supplement, in any material respect, any U.S. offer document or U.S. pricing disclosure package in certain prescribed circumstances;
- the Company is prevented from allotting or issuing the new Shares or SaleCo is prevented from transferring the sale Shares within the time required by the Offer timetable, the Offer documents, the ASX Listing Rules, the ASX Settlement Operating Rules or by any other applicable laws, under an order of a court of competent jurisdiction or a government agency;
- a change in the Company's chief executive officer or chief financial officer is announced or occurs;
- the Company or SaleCo is or becomes Insolvent or there is an act or omission which results in the Company or SaleCo becoming insolvent;

- certain delays in the Timetable;
- approval is refused or not granted, or approval is granted subject to conditions other than customary conditions, to:
 - the Company's admission to the official list of ASX on or before the listing approval date; or
 - the quotation of all of the Shares on ASX, or for the Shares to be traded through CHESS,

or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;

- any regulatory body commences an enquiry or public action against PEXA, which is not withdrawn within the earlier of three business days, and the business day prior to the settlement date;
- the Company or SaleCo withdraws this Prospectus or the U.S. offer document, any invitations to apply for Shares under an Offer document or all or any part of the Offer or indicates that it does not intend to proceed with the Offer or any part of it; or
- there is an event, including any statute, order, rule, regulation, directive or request (including one compliance with which is in accordance with the general practice of persons to whom the directive or request is addressed) of any government agency, which makes it illegal for the Joint Lead Managers to satisfy an obligation under the Underwriting Agreement or to market or settle the Offer.

9.1.3. Termination events subject to materiality

A Joint Lead Manager may terminate the Underwriting Agreement, after the date of the Underwriting Agreement and before 11.59pm on the Settlement date (without cost or liability by notice to the Company, SaleCo and the other Joint Lead Managers), if any of the following events occur (not exhaustive) and there are reasonable grounds that the event (i) has, or is likely to have, a materially adverse effect on the success or settlement of the Offer (other than the Employee Gift Offer); or (ii) has given, or is likely to give rise to a liability of that Joint Lead Manager or its affiliates under any applicable law, regulation or rule of any securities exchange or regulatory body, or a contravention by that Joint Lead Manager or its affiliates of, or that Joint Lead Manager or its affiliates being involved in a contravention of, the Corporations Act or any other applicable law, regulation or the rule of any securities exchange:

- there is a difference between the information contained in the pathfinder version of this Prospectus and the information required to be contained in this Prospectus;
- certain information supplied by or on behalf of the Company or SaleCo to the Joint Lead Managers in relation to the Group or the Offer (including any information supplied prior to the date of the Underwriting Agreement) is (or is likely to be), or becomes (or becomes likely to be), in any material respect misleading or deceptive (including by way of omission);
- the Company or SaleCo defaults on one or more of its obligations under the Underwriting Agreement;
- a representation, warranty, undertaking or obligation contained in the Underwriting Agreement on the part of the Company or SaleCo (whether severally or jointly) is breached, becomes not true or correct or is not performed;
- any of the restriction deeds between the Company and Management Shareholders or the IPO Implementation Deed (referred to in Section 9.2) are terminated, rescinded or, in any material respect, altered, amended or breached, or found to be void or voidable or unable to be performed;
- certain actions or regulatory proceedings occur;
- any licence, permit, authorisation, approval, order, concession or consent from a government agency in respect of the Company or a member of the Group which is required in order to operate in a State or Territory of Australia in which it currently operates is revoked or not renewed (except as fully disclosed in the pathfinder version of this Prospectus and this Prospectus, each U.S. offer document and each U.S. pricing disclosure package);

- hostilities not presently existing commence (whether war has been declared or not) or an escalation in existing hostilities occurs (whether war has been declared or not) involving certain countries or a major terrorist act is perpetrated on any diplomatic, political or military establishment of any of those countries anywhere in the world; or
- any of the following occurs:
 - a general moratorium on commercial banking activities in certain countries is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries; or
 - trading in all securities quoted or listed on certain stock exchanges is suspended or limited in prescribed circumstances.

9.1.4. Conditions, warranties, undertakings and other terms

The Underwriting Agreement contains certain standard representations, warranties and undertakings by the Company and SaleCo to the Joint Lead Managers (as well as customary conditions precedent, including the entry into an escrow deed by each of the Management Shareholders, and ASIC and ASX granting the waivers and modifications necessary to enable the Offer to proceed in accordance with the timetable).

The representations and warranties given by the Company and SaleCo relate to matters such as the nature of the Company and SaleCo, conduct of the Company and SaleCo, power and authorisations, information provided to the Joint Lead Managers, information in this Prospectus, the conduct of the Offer, and compliance with laws, the ASX Listing Rules, regulations and all other applicable laws.

The Company also provides additional representations and warranties in connection with matters including (not exhaustive) in relation to its financial information in this Prospectus, assets, litigation, non-disposal of Escrowed Shares, entitlements of third parties, taxation, insurance, intellectual property, data privacy, IT systems, licences, eligibility for Listing and internal controls.

The Company's undertakings include (not exhaustive) that (except as disclosed in the pathfinder version of this Prospectus and this Prospectus) it will not, during the period following the date of the Underwriting Agreement until 120 days after Shares have been issued and transferred under the Offer allot or agree to allot or indicate in any way that it may or will allot or agree to allot any equity securities or securities that are convertible or exchangeable into equity, or that represent the right to receive equity, of the Company or any member of the Group, without the prior written consent of the Joint Lead Managers subject to certain exceptions.

9.1.5. Indemnity

Subject to certain exclusions, the Company agrees to keep the Joint Lead Managers and certain affiliated parties indemnified against, and held harmless from, relevant losses suffered in connection with the Offer (including the Employee Gift Offer).

9.2. IPO Implementation Deed

The Company, SaleCo and each of the Selling Shareholders entered into an IPO Implementation Deed on 11 June 2021 to agree certain matters to facilitate the Offer. The parties have agreed to use their best endeavours to procure that the Offer occurs, including by effecting the sale of Shares by the Selling Shareholders to SaleCo to be sold under the Offer and payment of the proceeds of sale to the Selling Shareholders.

9.3. Relationship Deeds

The Company has entered into a Relationship Deed with the Commonwealth Bank of Australia and a Relationship Deed with Link Group (together the **Continuing Major Shareholders**) on 11 June 2021. The Relationship Deeds are on substantially the same terms and govern the relationship between each of the Continuing Major Shareholders and the Company for so long as the relevant Continuing Major Shareholder (and its subsidiaries) holds at least 10% of the issued Shares in the Company. The Relationship Deeds have the following key terms:

- the rights and obligations of the parties under the Relationship Deeds are conditional on, amongst other things, listing of the Company on ASX;
- each of the Continuing Major Shareholders and the Company agrees to procure that dealings between the Company's Group and the Continuing Major Shareholders' group will be on arm's length terms;
- contain obligations in relation to managing any disputes between the parties in connection with the Relationship Deed;
- the Continuing Major Shareholders may elect to sell any or all of its Shares in the Company, and the Company must provide reasonable assistance with the sell down if requested;
- the Continuing Major Shareholders have the right to nominate one Director to the Board while they (and their respective subsidiaries) hold at least 10% of the issued Shares, and to nominate two Directors to the Board while they hold at least 25% of the issued Shares;
- where the Continuing Major Shareholders have the right to nominate one Director to the Board (as above), the Company agrees to appoint that nominee Director as a member of the Audit and Risk Committee, and where the Continuing Major Shareholder has the right to nominate two Directors to the Board (as above) the Company agrees to appoint one of the nominee Directors as a member of the Audit and Risk Committee and one of the nominee Directors as a member of the Nomination, Remuneration and People Committee;
- each of the Continuing Major Shareholders are granted access rights in respect of certain information of the Company, including monthly and other periodic financial reports prepared by management and other information received by their respective nominees in connection with their appointment as a Director of the Company; and
- each Relationship Deed automatically terminates if the relevant Continuing Major Shareholder (and its subsidiaries) ceases to hold at least 10% of the issued Shares in the Company.

9.4. New Banking Facilities

The Company has agreed a debt terms sheet with certain major banks (each a Lender) in connection with an unsecured four-year revolving cash advance facility (the New Banking Facilities).

The key terms of the New Banking Facilities are summarised below.

Figure 97: Summary of terms of the New Banking Facilities

Feature	Description
Amount	The New Banking Facilities consist of a A\$335,000,000 revolving cash advance facility. The New Banking Facilities are to fund (directly or indirectly) (a) general corporate and working capital purposes of the Company and certain subsidiaries (including subsidiaries of subsidiaries) (the Obligor Group), (b) repayment of certain shareholder loans, (c) transaction costs and payments and other expenses and taxes in connection with the Offer, (d) the making of certain permitted acquisitions under the New Banking Facilities, and (e) other purposes as the Agent under the New Banking Facilities may approve, in each case including on-lending and/or making equity contributions to other members of the Obligor Group for the purposes described above.
Interests and fees	Interest is payable at the aggregate of BBSY Bid plus an applicable margin. The New Banking Facilities also attract customary establishment fees and undrawn commitment fees.
Conditions precedent	Initial utilisation under the New Banking Facilities will be conditional upon (among other things) ASX issuing a listing approval letter regarding commencement of trading on a conditional and deferred settlement basis and indicating that the Company will be listed on ASX within 10 Business Days of financial close. Initial utilisation is also subject to other conditions precedent, which are customary for a facility of the nature of the New Banking Facilities.
Guarantees and security	The New Banking Facilities will be guaranteed by certain members of the Obligor Group (each guarantor being a member of the Guarantor Group). The Company will ensure that the Guarantor Group, on each agreed reporting date, will comprise no less than 90% of EBITDA (as defined in the New Banking Facilities) of the Obligor Group and 90% of the total assets of the Obligor Group (as shown in its latest financial reports). The Guarantor Group must also include each wholly-owned member of the Obligor Group that on a stand-alone basis contributes greater than 5% of EBITDA (as defined in the New Banking Facilities) or 5% of total assets of the Obligor Group, in each case calculated by reference to the latest financial reports of the Obligor Group. The guarantee will be set out in a stand-alone document for the benefit of all Lenders and hedge counterparties (if any). The New Banking Facilities are unsecured.
Repayments	All amounts outstanding under the New Banking Facilities are repayable in full on its maturity date. Voluntary prepayments under the New Banking Facilities may be made (subject to certain minimum payment amounts and notice requirements) and redrawn. If the Company is not listed on the ASX within 15 Business Days of financial close (or such later date agreed by the Company and the Agent (acting on the instructions of all Lenders) then (among other things) the Obligors must, within 3 Business Days of such event, repay all amounts outstanding under the Finance Documents in full. There are no other mandatory prepayment events other than as a result of illegality, an event of default, or, subject to certain conditions and processes, a review event.

Feature	Description
Financial undertakings	The New Banking Facilities will contain customary financial undertakings which are tested semi-annually.
Restrictions on dividends and other distributions	The Company may make a Distribution only if no event of default or review event has occurred which is continuing or will occur as a result of the Distribution. <i>Distribution means:</i> a. any dividend, charge, interest, fee, payment or other distribution (whether cash or assets) or redemption, repurchase, defeasance, retirement or repayment on or in respect of any share capital of or ownership interest in TGH; and b. any interest payment, any repayment or prepayment of any amount of principal or any other payment in respect of any subordinated shareholder debt.
Financial close sunset date	If initial utilisation under the New Banking Facilities does not occur by 31 August 2021 (or such later date agreed by the Agent in writing, acting on the instructions of all Lenders), then the commitments under the New Banking Facilities will be automatically cancelled.
Other terms	The New Banking Facilities also contain customary representations and warranties, undertakings, and events of default. A breach of a financial undertaking or certain other terms, which are not remedied within any applicable grace period, will be an event of default under the New Banking Facilities and will, among other consequences, enable the Lenders to cancel the total commitment and/or accelerate repayment under the New Banking Facilities.
Review events	The New Banking Facilities contain customary review events, including: (a) change of control where a person (or group of persons acting in concert) acquires directly or indirectly greater than 50% of the ordinary voting shares of the Company or acquires control of the Company (where “control” has the meaning given in section 50AA of the Corporations Act); (b) the Company is (i) delisted or otherwise removed from the official list of the ASX or (ii) suspended from official quotation on the official list of the ASX for more than 10 consecutive Business Days (other than as a result of a trading halt requested by the Company); and (c) the termination of certain material contracts without alternative arrangements satisfactory to the Agent (acting on the instructions of all Lenders) under the New Banking Facilities being entered into (and where, for a subset of such material contracts, the termination has or is reasonably likely to have a material adverse effect). If a review event occurs, a Lender may, within 10 business days of the earlier of notice from the Company or the Agent becoming aware, give a notice to trigger a 45 day good faith negotiation period with a view to agreeing to changes necessary (if any) to allow the New Banking Facilities to continue. If agreement cannot be reached by the expiry of that period, the relevant Lender may give notice to the Company to immediately cancel in full the undrawn total commitment of that Lender and declare all other amounts owing to that Lender due and payable on a date specified in such notice, which must be no earlier than 60 days after the date of such notice.

9.5. Voluntary Escrow Arrangements

The following Shareholders are subject to voluntary escrow arrangements:

Shareholder	Number of Escrowed Shares on Completion of the Offer	Escrowed Shares (as a % of Shares on issued on Completion of the Offer)
Mark Joiner	29,187	0.016%
Glenn King	1,155,637	0.652%
John Hawkins	5,837	0.003%
Dr Kirstin Ferguson	14,593	0.008%
Melanie Willis	14,593	0.008%
Paul Rickard	5,837	0.003%
Vivek Bhatia	5,837	0.003%
Richard Moore	577,818	0.326%
Simon Smith	105,587	0.060%
Other Management Equity Planholders ¹	1,354,568	0.764%
Other Eligible Employees	Up to 119,831	Up to 0.068%
Total	Up to 3,389,325	Up to 1.9%

Each of the key management personnel (Glenn King, Richard Moore and Simon Smith) have agreed to enter into a voluntary escrow deed with the Company in respect of their Escrowed Shares (for the purposes of this section, **Escrowed Management**). All other Escrowed Shares are held subject to a holding lock imposed by ASX Settlement Pty Limited.

9.5.1. Escrow Period

Escrowed Shares held by Escrowed Management are subject to voluntary escrow until the release of the Company's financial results for the financial year ended 30 June 2022 (the **Management Escrow Period**).

Escrowed Shares held by Eligible Employees and non-executive Directors are subject to voluntary escrow until the trading window following release of the Company's results for the financial year ended 30 June 2022. If an Eligible Employee or non-executive Director resigns during the escrow period, they will retain the Shares, which will remain subject to escrow for the balance of the escrow period.

Escrowed Shares held by Gift Entitled Employees are subject to voluntary escrow until the earlier of three years from the date of issue and the employee ceasing to be an employee of the Group.

1. Individuals who were issued shares under the Management Equity Plan who are not key management personnel.

9.5.2. Terms of Voluntary Escrow Deeds

The restriction on dealing is broadly defined in the voluntary escrow deeds. It restricts Escrowed Management from, among other things, selling, assigning, transferring, or otherwise disposing of the Escrowed Shares, entering into an option which would enable or require the Escrowed Shares to be sold, assigned, transferred, or otherwise disposed of, creating or agreeing to create or permit a security interest over the Escrowed Shares, or agreeing or agreeing to offer to do any of the above.

During the Management Escrow Period, Escrowed Management are permitted to deal in their Escrowed Shares in the following manner:

- **(court order)** pursuant to a court order compelling the Escrowed Shares to be disposed of or a security interest to be granted over them;
- **(death or incapacity)** in the event that the Escrowed Manager dies or becomes incapacitated, provided that the transferee of the Escrowed Shares has agreed to be bound by a deed on substantially the same terms as the voluntary escrow deed;
- **(insolvency or bankruptcy)** pursuant to the directions of an administrator, liquidator, receiver or other such person upon the administration, the winding up, deregistration, insolvency or bankruptcy of the escrowed Shareholder;
- **(takeover bid)** to allow the acceptance of an offer made under a takeover bid provided holders of not less than 50% of the non escrowed Shares have accepted the offer and the takeover bid is unconditional (or conditional only on “prescribed occurrences”) or all conditions to the takeover bid have been satisfied or waived;
- **(bid acceptance facility)** to allow the Escrowed Manager to tender any of their Escrowed Shares into a bid acceptance facility established in connection with a takeover bid; or
- **(reorganisation)** to allow the transfer or cancellation of Escrowed Shares as part of an equal access share buy back, pro rata capital return, pro rata reduction of capital or other similar reorganisation, a merger being implemented by way of a scheme of arrangement or a pro rata acquisition of share capital which has received all necessary approvals.

If for any reason any or all Escrowed Shares are not transferred or cancelled in accordance with a takeover bid, bid acceptance facility or reorganisation as described above, the escrow restrictions in the voluntary escrow deeds will continue to apply for the remainder of the Management Escrow Period described above.

9.6. Operating Agreements

PEAL has entered into an operating agreement with each of the Victorian, Western Australian, South Australian and Queensland Registrars (each an **Operating Agreement**), and has received approval from the New South Wales Registrar (the **NSW Approval Conditions**) under which each Registrar has granted PEAL the approval to operate an ELN in their respective jurisdictions (the **ELNO Approval**). PEAL has also entered into a deed for the operation of an electronic lodgment network with the State of South Australia, which was a condition of its approval to operate an electronic lodgment network granted by the Registrar of South Australia. PEAL is currently negotiating a revised form of operating agreement with the Western Australia, Queensland and Victorian Registrars. The revisions are not expected to materially alter the terms of the current agreements.

PEAL and the Australian Capital Territory Government are currently negotiating a deed for the operation of an ELN with approval conditions, noting the form of this document is subject to ongoing deliberation and negotiation.

PEAL is also in discussions with the private operator of the NSW Land Titles Office to enter into an operating agreement, which it anticipates will be entered into shortly.

9.6.1. Term and termination by the Land Titles Offices

Figure 98: Term of the ELNO Approval in each of the jurisdictions

Jurisdiction	Expiry date
New South Wales	1 January 2023
Victoria	30 June 2025
Western Australia	30 June 2025
South Australia	30 June 2025
Queensland	30 June 2025

PEAL may request a renewal of each ELNO Approval for a further period of 10 years, provided that it continues to meet the Model Operating Requirements in that jurisdiction and the provisions of the ELNO Approval. PEAL must make such an application at least six months prior to expiry of the current approval, and the renewal is subject to PEAL continuing to satisfy the Operating Requirements and in NSW, the Approval Conditions. The Registrar in each jurisdiction that is a party to the Intergovernmental Agreement is able to impose conditions in granting a renewal to operate an electronic lodgment network.

Each of the Registrars may suspend or revoke the relevant ELNO Approval in certain circumstances, including if PEAL is in material breach of the Operating Requirements in force in that jurisdiction (each of which are based on the Model Operating Requirements) which has not been remedied within 10 business days, or if PEAL becomes or resolves to become subject to any form of insolvency administration.

The Operating Agreements between PEAL and the Land Titles Offices of Victoria, Queensland, Western Australia and South Australia, and in New South Wales the approval conditions issued by the New South Wales Registrar, contain change of control provisions that require PEAL to obtain consent from the Registrars in each State prior to a change in control of PEAL. A similar provision is contained in the Deed for the Operation of an Electronic Lodgment Network between PEAL and the State of South Australia. Consent from the Registrar is not required for the Company to undertake the Offer.

9.6.2. Collection of Registry fees

Each of the Registrars has appointed PEAL as its agent to collect lodgement fees from subscribers.

9.6.3. Service levels

Each of the ELNO Approvals specify certain service levels with which PEAL must comply, including in relation to service availability, security and maintenance.

9.6.4. Approval of Value Added Services

In Victoria, South Australia, Western Australia² and Queensland, PEAL must obtain the approval of the relevant Registrar in order to develop and provide 'Value Added Services', being any service or product that is in addition to PEAL's core function, as an ELNO, of facilitating conveyancing transactions, which utilise Land Information (being information provided by the Land Titles Office or information used to complete documents lodged at the Registry). In New South Wales, Registrar approval for Value Added Services is only required if it is developed using Land Information. These 'Value Added Services' include some products currently proposed by PEAL, and potentially proposed by PEXA Insights and PX Ventures, as described in Sections 3.4.3 and 3.4.4. The Operating Agreements, the NSW Approval Conditions or the deed of operation with the State of South Australia do not provide an exhaustive list of reasons or grounds on which the Registrar may refuse to grant its approval. Please refer to Section 10.10.2.4 for more details of Registrar approval.

9.6.5. Indemnity from PEAL

PEAL has agreed to provide some of the Registrars with a limited indemnity, namely from any loss or liability, including indirect, special or consequential loss, suffered or incurred by PEAL or any third party in connection with or arising out of the PEXA Exchange automatically unsigned any Registry instrument or document based on a compliance error message returned by the Registrar or the Registry.

9.7. Financial Institution Participation Agreement

PEAL enters into a standard form participation agreement with Financial Institutions (**Financial Institution Participation Agreement**) under which PEAL authorises a Financial Institution to use the PEXA Exchange.

9.7.1. Pricing and volume

A Financial Institution must pay to PEAL the applicable fees for each billable transaction undertaken by the Financial Institution. There is no contractual requirement on Financial Institutions to procure any type or volume of billable transactions on the PEXA Exchange.

9.7.2. Security

The Financial Institution Participation Agreement imposes on PEAL certain obligations in relation to security. Principally, PEAL is required to effect and maintain adequate security measures in respect of the PEXA Exchange and data processed on the PEXA Exchange, including by taking all prudent and reasonable steps to ensure that:

- the data processed on the PEXA Exchange is protected against corruption, interference or loss, and against unauthorised access, use modification, processing, disclosure or other misuse and that it is only accessed by PEAL personnel that have a legitimate need to access the information;
- security vulnerabilities do not result in security incidents that impact on the ability of PEAL to perform its obligations under the Financial Institution Participation Agreement or the Model Operating Requirements; and
- periodic testing and audits of PEAL's security systems are conducted.

Financial Institutions also have certain obligations in relation to system security, including complying with PEAL's security policy, both under the Model Participation Rules and the Financial Institution Participation Agreement.

2. PEAL's obligation to seek approval from the Registrar of Western Australia for the use or disclosure of Land Information is under the operating requirements in Western Australia (rather than PEAL's operating agreement with the Registrar of Western Australia).

9.7.3. Termination rights

A Financial Institution may terminate the Financial Institution Participation Agreement for no cause and without penalty by giving 42 days' written notice to PEAL.

A Financial Institution may terminate the Financial Institution Participation Agreement immediately by notice in writing if:

- a party is in material breach of the Financial Institution Participation Agreement and the breach (i) cannot be remedied; or (ii) fails to be remedied within 30 days of notification, and the party in breach fails to agree an appropriate remediation strategy within a reasonable period; or
- the other party becomes or resolves to become subject to any form of insolvency administration.

PEAL has a range of additional termination rights, including for non-payment of fees, where reasonably necessary to maintain the integrity and security of the PEXA Exchange and if required by law.

9.7.4. PEAL's potential liability

Subject to certain exclusions (including for indirect losses) and limitations (including applicable liability caps), PEAL is liable for any loss or damage that the Financial Institution may suffer or sustain from a breach by PEAL to make the PEXA Exchange available for use in accordance with the Electronic Conveyancing National Law, the Model Operating Requirements and the Financial Institution Participation Agreement or from any error in the PEXA Exchange or the electronic lodgment network that is caused by PEAL.

Under the intellectual property provisions, subject to certain exclusions (such as to the extent the Practitioner is in breach of the Financial Institution Participation Agreement), PEAL indemnifies the Financial Institution against liability or loss incurred under or in connection with any claim made by a third party regarding the Financial Institution's use of the services provided under the Financial Institution Participation Agreement or any intellectual property in accordance with the Financial Institution Participation Agreement.

9.8. Practitioner Participation Agreement

PEAL enters into a standard form participation agreement with Practitioner Firms (**Practitioner Participation Agreement**) under which PEAL authorises the subscriber to use the PEXA Exchange.

9.8.1. Pricing and volume

The Practitioner must pay to PEAL the applicable fees for each billable transaction undertaken by the Practitioner.

9.8.2. Security

The Practitioner Participation Agreement imposes on PEAL certain obligations in relation to security. Principally, PEAL is required to effect and maintain adequate security measures in connection with the use of the PEXA Exchange by Practitioners, including by taking all prudent and reasonable steps to:

- prevent any damage, or unauthorised access or interference, to the PEXA Exchange or the Practitioner's electronic systems by any person employed or engaged by PEAL or through any systems or access points controlled by PEAL and through which the Practitioner can connect to the PEXA Exchange;
- provide protection (e.g., firewall protection) against any unauthorised intrusions or uncontrolled access to the PEXA Exchange and access points of the PEXA Exchange; and
- seek to ensure that its electronic systems and the PEXA Exchange are properly secured from any unauthorised access or interference.

Practitioners also have certain obligations under the Model Participation Rules in relation to system security, including complying with PEAL's security policy.

9.8.3. Termination rights

A practitioner may terminate the Practitioner Participation Agreement for no cause and without penalty by giving 30 business days' written notice to PEAL.

Either party may terminate the Practitioner Participation Agreement immediately by notice in writing if:

- the other party is in material breach of the Practitioner Participation Agreement and the breach (i) cannot be remedied; (ii) fails to be remedied within 20 business days of notification and the party in breach fails, within a reasonable period of time, to agree an appropriate remediation strategy with the non-breaching party to rectify the breach; or
- the other party becomes or resolves to become subject to any form of insolvency administration.

PEAL also has a range of additional termination rights, including for non-payment of fees, where reasonably necessary to maintain the integrity and security of the ELN, and if required by law.

9.8.4. PEAL's potential liability

Subject to certain exclusions, PEAL is liable for any loss or damage that the Practitioner may suffer or sustain arising from a breach by PEAL of its obligations under the Practitioner Participation Agreement.

Subject to certain exclusions and limitations, PEAL is also responsible for certain losses suffered by a Practitioner as a result of a third party dealing preventing registration of, or taking priority over, a dealing by the Practitioner (**Lodgement Gap Cover**). The Lodgement Gap Cover applies to any intervening dealing that occurs between the last successful notification from the Land Titles Office of any change to information on the register (**Title Activity Check**) and lodgement of the dealing via the PEXA Exchange. For the Lodgement Gap Cover to be available, the Title Activity Check must have taken place within two business days of the scheduled settlement.

Under the intellectual property provisions, subject to certain exclusions (such as to the extent the Financial Institution is in breach of the Financial Institution Participation Agreement), PEAL indemnifies the Practitioner against liability or loss under or in connection with any claim made by a third party regarding the Practitioner's use of the services or intellectual property in accordance with the Practitioner Participation Agreement.

9.9. State Revenue Office Agreements

PEAL has entered into final or interim trading agreements with the State Revenue Offices (**SROs**) of New South Wales, Victoria, Western Australia and Queensland (**SRO Agreements**). These SRO Agreements and the Deed with the State of South Australia, facilitate the transfer of duty-related data from the SRO online revenue systems to the PEXA Exchange, allowing PEAL to verify that a duty assessment has occurred and that duty has been paid or has been committed for payment.

9.9.1. Term and termination by the SROs

Figure 99: Term of the SRO Agreements

Jurisdiction	Expiry date
New South Wales	30 June 2021 (as extended by agreement between the parties)
Victoria	Indefinite unless terminated by the Commissioner of State Revenue of Victoria
Western Australia	8 August 2019
Queensland	11 December 2021

An SRO may also suspend or terminate the SRO Agreement in certain circumstances, including if:

- PEAL's ELNO Approval expires, or is suspended or revoked;
- PEAL breaches the SRO Agreement and that breach (i) cannot be remedied; or (ii) fails to be remedied within a specified period of time; or
- PEAL becomes or resolves to become subject to any form of insolvency administration.

In addition, the SRO for Victoria may terminate the SRO Agreement for convenience by giving at least 12 months' notice to PEAL (or a shorter period of notice if within that period PEAL will have a viable alternative for the payment of duty to allow conveyancing transactions to be completed using the PEXA Exchange).

PEAL is not aware of any issues that may prevent it from negotiating further extensions beyond the expiry dates set out above. PEAL is currently in discussions with the NSW, Victorian and South Australian SROs relating to new agreements. The Western Australia SRO services continue to operate notwithstanding that the agreement has expired, and PEAL is not intending to renegotiate the terms as the content of this agreement is expected to fall under the revised operating agreement with the Western Australian Registrar (currently being negotiated, as noted in Section 9.6).

9.9.2. PEAL's potential liability

Where duty payable on a lodgement has not been received by the SRO at the time of settlement due to an error on the part of PEAL or the PEXA Exchange, the SRO may, in certain circumstances, recover that amount (and associated costs) from PEAL. PEAL has also, in respect of certain SROs, agreed to indemnify the SRO for the amount of duty payable.

In addition, PEAL has agreed to release and indemnify certain SROs from claims made by any person against the SRO relating to the operation of its online revenue system in transactions undertaken on the PEXA Exchange.

While not a liability, under the terms of the Victorian SRO Agreement PEAL has agreed to pay development and support costs, as assessed and invoiced by the Victorian SRO.

9.10. Reserve Bank of Australia Agreement

PEAL has entered into agreements with the Reserve Bank of Australia, which enable PEAL to facilitate the settlement of lodgements in real-time within the Reserve Bank Information and Transfer System (**RITS**) and submit property batches to RITS (**RITS Agreements**). These RITS Agreements incorporate, and require PEAL to comply with, the RITS Regulations.

Termination by the RBA

The Reserve Bank of Australia may terminate the RITS Agreements at any time by giving three months prior notice to PEAL.

Indemnity from PEAL

Subject to certain customary exceptions, PEAL has agreed to indemnify the Reserve Bank of Australia against any losses suffered or incurred by the Reserve Bank of Australia as a result of, in connection with or arising out of, any act or omission of PEAL or its representatives.

9.11. Integration Agreements

PEAL has entered into a number of integration agreements, whereby software providers are provided with access to PEAL's application programming interfaces (**APIs**) to allow them to interface their systems with PEAL's electronic lodgment network, thereby allowing customers to execute conveyancing transactions through their platforms. No fees are currently payable to PEAL under the agreements.

PEAL typically enters into integration agreements in accordance with its standard form integration agreement, which contains provisions relating to intellectual property and confidentiality that govern access to the APIs. Under the standard form integration agreement, each party's aggregate liability to the other party under or in respect of the agreement (whether in contract, tort, statute or any other cause of action) is limited to A\$1 million, subject to exclusions for consequential losses.

9.11.1. Term and termination rights

The integration agreements typically continue unless terminated by either party in accordance with their terms. Either party may terminate the agreement if there is a material breach not remedied within 20 to 30 days of notification of the breach, if either of the parties becomes insolvent or if it becomes unlawful for PEAL to provide the services. Additionally, several of the integration agreements include specific termination rights for PEAL if:

- the software provider fails to meet security requirements;
- PEAL has suspended the software provider's access for cause which the software provider fails to rectify;
- the software provider no longer meets PEAL's technical requirements or eligibility criteria and fails to rectify the non-compliance;
- the software provider compromises the integrity of the ELN or PEXA Exchange, breaches obligations relating to PEAL's API access credentials, or causes PEAL to breach the operating requirements or other applicable law.

The integration agreements also typically contain mutual termination for convenience rights. PEAL may terminate the integration agreement so long as it gives not less than six months' notice to the software provider, and gives equivalent termination notices to all other software providers who have integrated with the PEAL platform. The software provider must give 60 days' written notice to PEAL if it wishes to terminate the integration agreement without cause.

9.12. Amazon Web Services Agreement

PEAL has entered into an enterprise agreement with Amazon Web Services (**AWS**) pursuant to which AWS hosts the PEXA Exchange on a cloud platform (**AWS Agreement**). The AWS Agreement is effective from 7 November 2016 until terminated in accordance with the terms of the agreement.

Under the AWS Agreement, PEAL may access and use the AWS services, content, marks, and any other product or service provided by AWS, in addition to third party content at its election. PEAL's affiliates may use the AWS service offerings under their own AWS account(s) by executing an addendum to the agreement with AWS.

9.12.1. Termination rights

AWS may terminate the AWS Agreement for convenience by giving 365 days' written notice to PEAL (or 180 days' notice in the event that AWS discontinues the general commercial availability of the services it provides to PEAL).

AWS may terminate the AWS Agreement upon 30 days' written notice to PEAL in certain circumstances (e.g. where AWS reasonably determines that the use of the platform by PEAL or a subscriber poses a security risk or risks subjecting AWS or its affiliates to liability) and PEAL has failed to remedy the breach within that 30 day period.

9.12.2. Indemnity from PEAL

PEAL has agreed to indemnify AWS, its affiliates and representatives from and against any losses arising out of, or relating to, any third party claim concerning (i) the use of the platform by PEAL or any subscriber in a manner not authorised by the AWS Agreement; (ii) violation of applicable law by PEAL or its subscribers; (iii) alleged infringement or misappropriation of any third party rights by PEAL or its subscribers; and (iv) a dispute between PEAL and any subscriber.

9.13. Accenture Agreement

The PEXA Exchange was developed in partnership with Accenture Australia Limited (**Accenture**) pursuant to various statements of work. Accenture continues to play a role in the ongoing software development of the PEXA Exchange and entered into a Master Procurement Agreement with PEAL for an initial five year term (and statement of works thereunder) commencing on 14 August 2020. Either party may notify the other party at any time before the last six months of the initial term that it wishes to extend the agreement. If so, the parties will negotiate any extension in good faith.

9.13.1. Termination rights

Either party may terminate the Master Procurement Agreement if certain insolvency events occur in relation to the other party. Further, either party may terminate the Master Procurement Agreement and/or a statement of work by written notice if the other party commits a material breach that is incapable of remedy or has not been remedied within 30 business days of the written notice.

9.13.2. Indemnities from PEAL and Accenture

PEAL has indemnified Accenture in relation to losses (including reasonable legal costs) directly attributable to a third party claim that the PEAL materials or inputs relevant to the Master Procurement Agreement infringe the intellectual property rights of a third party. PEAL has also provided a general indemnity requiring PEAL to indemnify, release and hold harmless Accenture for any claim made by a subscriber of the PEXA Exchange (whether made against PEAL or Accenture), however arising.

Accenture indemnifies PEAL against losses directly attributable to a third party claim that the material developed under the Master Procurement Agreement and/or a statement of work or material used by Accenture in providing their services infringes on the intellectual property rights of any third party, and in relation to any third party claims, liabilities and costs which PEAL may incur as a result of taxes and other similar liabilities.

Liability is limited to direct loss, and will not exceed one and a half times the fees paid under the relevant statement of work except in relation to infringement of patent rights, where the parties have agreed a liability cap, a breach of warranty, or any third party claims to the extent that damage is caused by the fraud or wilful misconduct of the other party.

9.14. Thoughtworks

PEAL has entered into a Master Services Agreement (**ThoughtWorks MSA**) and statement of work (**SOW**) with ThoughtWorks Australia Pty Ltd (**ThoughtWorks**) dated 16 March 2021 for the provision of discovery, architecture and other services and deliverables relating to the design of the platform for PEAL's proposed international expansion in the United Kingdom. The MSA has an initial term of three years with an option to extend for a further period of 2x1 years.

9.14.1. Termination rights

ThoughtWorks' termination rights in respect of a SOW and the ThoughtWorks MSA are limited to circumstances where PEAL fails to pay fees on time (subject to a cure period), assigns its rights or novates its obligations otherwise than in accordance with the ThoughtWorks MSA, ceases to carry on business in the normal manner, enters an insolvency event, or is deregistered.

PEAL has a range of termination rights, including a right to terminate the ThoughtWorks MSA and a SOW without cause on notice (unless otherwise specified in a SOW).

9.14.2. Indemnities and liability

ThoughtWorks is required to indemnify and hold harmless PEAL against any liability arising out of third party intellectual property claims. ThoughtWorks is also required to indemnify PEAL from third party claims and liability resulting from breaches by ThoughtWorks of a number of its other obligations.

The aggregate liability of each party is limited to the higher of \$1 million and 150% of the fees paid or payable by PEAL to ThoughtWorks for the relevant SOW giving rise to the liability in the 12 months preceding the claim. A limitation of liability of \$3 million applies to ThoughtWorks' liability in respect of information and privacy related claims. Neither party is liable for indirect loss.

9.15. Verizon

PEAL has entered into a standard form master terms agreement with Verizon Australia Pty Ltd (**Verizon Agreement**) for the provision of managed services and the purchase of digital certificates, under which service orders are submitted and agreed to, with the current service orders expiring in February 2023.

9.15.1. Termination rights

After the initial contract commitment period, either party may terminate the agreement and any order without cause on 60 days' notice, subject to applicable early termination fees. Either party may also terminate the agreement and any order for cause or in the event of insolvency of the other party. Verizon also has a right to suspend services in a range of circumstances, including for non-payment of fees, in accordance with its acceptable use policy, or if the customer fails to provide or increase security. Verizon may also modify services, provided that if such modification has a material adverse effect, PEAL may terminate the service.

9.15.2. Indemnities and liability

PEAL has agreed to indemnify and hold harmless Verizon and its affiliates against losses arising out of third party claims relating to PEAL's connection of a service to any third party service or network, violation, misuse or misappropriation by PEAL, users of the services or PEAL's customers of Verizon's intellectual property rights, violation of Verizon's acceptable use policy or unauthorised use of or access to the services or Verizon facilities by any person using PEAL's systems or network.

Subject to certain exclusions including for wilful misconduct, the total liability of each party to the other in connection with an order is limited to the lesser of the direct damages proven and the aggregate amounts due from PEAL to Verizon under an order in the 6 months prior to the action. Neither party is liable for indirect losses.

10 Additional Information



10.1. Registration

Torrens Group Holdings Pty Ltd was registered in New South Wales, Australia on 4 October 2018 and converted to a public company limited by shares on 11 June 2021, to be named Torrens Group Holdings Limited on conversion. The Company is in the process of changing its name to PEXA Group Limited.

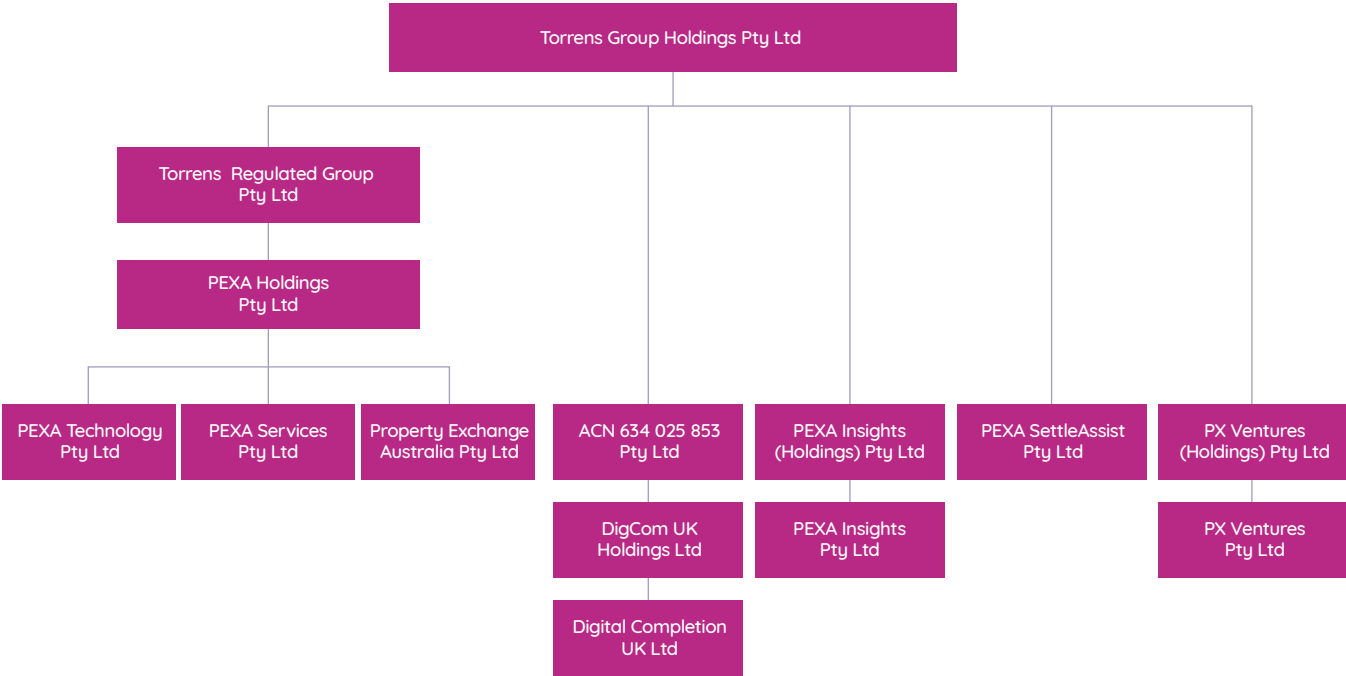
10.2. Company tax status

Torrens Group Holdings Limited, to be renamed PEXA Group Limited, is the head company of an income tax consolidated group, which was formed with effect from 18 December 2018. The Company income tax group currently comprises Torrens Regulated Group Pty Ltd, PEXA Holdings Pty Ltd, Property Exchange Australia Ltd, PEXA Technology Pty Ltd, PEXA Services Pty Ltd, PEXA SettleAssist Pty Ltd, PX Ventures (Holdings) Pty Ltd, PX Ventures Pty Ltd, PEXA Insights (Holdings) Pty Ltd, PEXA Insights Pty Ltd and ACN 634 025 853 Pty Ltd. The Company is taxed as an Australian resident company and is subject to tax at the Australian corporate tax rate. The Company’s tax year ends on 30 June. In addition, the Company indirectly holds DigCom UK Holdings Ltd and Digital Completion UK Ltd, which will be taxed as UK resident companies and be subject to the UK corporate tax rate. DigCom UK Holdings Ltd and Digital Completion UK Ltd’s tax year ends on 30 June and they will also be controlled foreign companies of the Company for Australian tax purposes.

10.3. Corporate structure

The following diagram shows the corporate structure of the Group following Completion of the Offer. This diagram shows all subsidiaries of PEXA:

Figure 100: Corporate structure



Each Group company supports the core business of the PEXA Exchange, and development of PEXA International, PEXA Insights, PX Ventures.

Company Subsidiary	Country of incorporation	Principal place of business	Percentage held by the Company ¹
Torrens Regulated Group Pty Ltd	Australia	Victoria	100%
PEXA Holdings Pty Ltd	Australia	Victoria	100%
PEXA Technology Pty Ltd	Australia	Victoria	100%
PEXA Services Pty Ltd	Australia	Victoria	100%
Property Exchange Australia Pty Ltd	Australia	Victoria	100%
ACN 634 025 853 Pty Ltd	Australia	Victoria	100%
DigCom UK Holdings Ltd	United Kingdom	United Kingdom	100%
Digital Completion UK Ltd	United Kingdom	United Kingdom	100%
PEXA Insights (Holdings) Pty Ltd	Australia	Victoria	100%
PEXA Insights Pty Ltd	Australia	Victoria	100%
PEXA SettleAssist Pty Ltd	Australia	Victoria	100%
PX Ventures (Holdings) Pty Ltd	Australia	Victoria	100%
PX Ventures Pty Ltd	Australia	Victoria	100%

10.4. Sale of Shares by SaleCo

SaleCo is a special purpose vehicle to enable Selling Shareholders to sell part or all of their investment in PEXA on Completion.

Each of the Selling Shareholders, the Company and SaleCo has entered into the IPO Implementation Deed under which the Selling Shareholders irrevocably agree to sell some or all of their existing Shares to SaleCo, which will be sold by SaleCo into the Offer, free from encumbrances and third party rights. The Selling Shareholders have agreed to sell 56.0 million existing Shares to SaleCo.

The existing Shares which SaleCo acquires from the Selling Shareholders will be transferred to successful Applicants at the Offer Price. The price payable by SaleCo for these existing Shares is the Offer Price. The Company will also issue Shares to successful Applicants under the Offer.

SaleCo has no material assets, liabilities or operations other than its interests in and obligations under the Underwriting Agreement and the IPO Implementation Deed. Mark Joiner, Glenn King, Dr Kirstin Ferguson and Melanie Willis are the Directors and Shareholders of SaleCo. The Company has undertaken to SaleCo to pay any costs which SaleCo may incur as a consequence of the Offer. However, neither the Company nor SaleCo will be responsible for paying any tax incurred by any Selling Shareholder as a result of transferring or selling Shares pursuant to the IPO Implementation Deed.

10.5. Description of syndicate

Barrenjoey Advisory Pty Limited, Macquarie Capital (Australia) Limited, Morgan Stanley Australia Securities Limited and UBS AG, Australia Branch are the Joint Lead Managers to the Offer.

1. Either held directly by the Company, or through a wholly owned subsidiary.

With respect to any Joint Lead Manager who is or is affiliated with any person or entity engaged to act as an investment adviser on behalf of a client who has a direct or indirect interest in the Sale Shares being sold by a Selling Shareholder, it is the intention of such Selling Shareholder and the other parties to this Agreement that the Sale Shares being sold to, or underwritten by, such Joint Lead Manager (and the Sales Shares in which any settlement support obligation hereunder arises in relation to such Joint Lead Manager) shall not include any shares attributable to such client (with any such shares instead being intended by such Selling Shareholder and the other parties to this agreement to be allocated and sold to, and underwritten or settlement supported by, the other Joint Lead Managers) and that the fees or other amounts received by such Joint Lead Manager in connection with the transactions contemplated hereby shall not include any fees or other amounts attributable to such client (and, if there is any unsold allotment in the offering at the Settlement Date, such unsold allotment in respect of Sale Shares attributable to such client being intended by such Selling Shareholder and the parties to this Agreement to be allocated solely to Joint Lead Managers not affiliated with such client).

10.6. Legal proceedings

PEXA may, from time to time, be party to various disputes and legal proceedings incidental to the conduct of its business. These disputes may lead to legal and other proceedings, and may cause PEXA to incur additional costs. As far as the Directors are aware, there is no current or threatened civil litigation, arbitration proceeding or administrative appeal, or criminal or Governmental prosecution of a material nature in which PEXA is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of PEXA.

10.7. Ownership restrictions

The sale and purchase of Shares in Australia are regulated by a number of laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This Section 10.7 contains a general description of these laws.

The Operating Agreements between PEAL and the Registrars of Victoria, Queensland, Western Australia and South Australia, and in the case of New South Wales the approval conditions issued by the New South Wales Registrar, contain change of control provisions that require PEAL to obtain consent from the Registrars in each State prior to a change in control of PEAL, which is defined broadly. A similar provision is contained in the Deed for the Operation of an Electronic Lodgment Network between PEAL and the State of South Australia. The process to obtain Registrars' approval may be lengthy. These change of control provisions may delay or otherwise impact the potential attractiveness of PEXA to potential acquirers.

10.7.1. Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of relevant interests in issued voting shares in listed companies if, as a result of the acquisition, the acquirer's (or another party's) voting power in that company would increase from 20% or below to more than 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply. The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in the Company either themselves or together with their associates.

10.7.2. *Foreign Acquisitions and Takeovers Act 1975 (Cth)*

Generally, the *Foreign Acquisitions and Takeovers Act 1975 (Cth)* (**FATA**) applies to acquisitions of shares and voting power in a company of 20% or more by a single foreign person and its associates (**Substantial Interest**), or 40% or more by two or more un-associated foreign persons and their associates (**Aggregate Substantial Interest**). Where a foreign person holds a substantial interest in the Company or foreign persons hold an aggregate substantial interest in the Company, the Company itself will be a 'foreign person' for the purposes of the FATA.

Where an acquisition of a substantial interest meets certain criteria, the acquisition may not occur unless notice of it has been given to the Federal Treasurer, and the Federal Treasurer has either stated that there is no objection to the proposed acquisition in terms of the Commonwealth Government's Foreign Investment Policy (**FATA Policy**) or a statutory period has expired without the Federal Treasurer objecting. An acquisition of a substantial interest or

an aggregate substantial interest meeting certain criteria may also lead to divestment orders unless a process of notification, and either a statement of non-objection or expiry of a statutory period without objection, has occurred.

In addition, acquisitions of a direct investment in an Australian company by foreign governments and their related entities should be notified to the Foreign Investment Review Board for approval, irrespective of value. According to the FATA Policy, a 'direct investment' will typically include any investment of 10% or more of the shares (or other securities or equivalent economic interest or voting power) in an Australian company but may also include investment of less than 10% where the investor is building a strategic stake in the target or obtains potential influence or control over the target investment.

10.8. Selling restrictions

10.8.1. Foreign ownership restrictions

This Prospectus does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. In particular, this Prospectus may not be distributed to any person, and the Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

10.8.1.1 Bermuda

This Prospectus has not been registered or filed with any regulatory authority in Bermuda. The offering of the Shares pursuant to this Prospectus to persons resident in Bermuda is not prohibited, provided such offering does not constitute the carrying on of business in Bermuda by any person.

10.8.1.2 Cayman Islands

The Company and SaleCo are not licensed to conduct investment business in the Cayman Islands by the Cayman Islands Monetary Authority and this Prospectus does not constitute a public offer of the Shares, whether by way of sale or subscription, in the Cayman Islands. The Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the Cayman Islands.

10.8.1.3 Canada

This document constitutes an offering of Shares only in the Provinces of British Columbia, Ontario and Quebec (the "Provinces") and to those persons to whom they may be lawfully distributed in the Provinces, and only by persons permitted to sell such Shares. This document is not, and under no circumstances is to be construed as, an advertisement or a public offering of securities in the Provinces. This document may only be distributed in the Provinces to persons that are "accredited investors" within the meaning of NI 45-106 – Prospectus Exemptions of the Canadian Securities Administrators.

No securities commission or similar authority in the Provinces has reviewed or in any way passed upon this document, the merits of the Shares or the offering of Shares and any representation to the contrary is an offence.

No prospectus has been, or will be, filed in the Provinces with respect to the offering of Shares or the resale of such securities. Any person in the Provinces lawfully participating in the offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and receipted by the securities regulator in the applicable Province. Furthermore, any resale of the Shares in the Provinces must be made in accordance with applicable Canadian securities laws which may require resales to be made in accordance with exemptions from dealer registration and prospectus requirements. These resale restrictions may in some circumstances apply to resales of the Shares outside Canada and, as a result, Canadian purchasers should seek legal advice prior to any resale of the Shares.

The Company as well as its directors and officers may be located outside Canada and, as a result, it may not be possible for purchasers to effect service of process within Canada upon the Company or its directors or officers. All or a substantial portion of the assets of the Company and such persons may be located outside Canada and, as a result, it may not be possible to satisfy a judgement against the Company or such persons in Canada or to enforce a judgement obtained in Canadian courts against the Company or such persons outside Canada.

Statutory rights of action for damages and rescission

Securities legislation in certain of the Provinces may provide purchasers with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, when an offering memorandum that is delivered to purchasers contains a misrepresentation. These rights and remedies must be exercised within prescribed time limits and are subject to the defenses contained in applicable securities legislation. Prospective purchasers should refer to the applicable provisions of the securities legislation of their respective Province for the particulars of these rights or consult with a legal adviser.

The following is a summary of the statutory rights of rescission or to damages, or both, available to purchasers in Ontario. In Ontario, every purchaser of the Shares purchased pursuant to this document (other than (a) a “Canadian financial institution” or a “Schedule III bank” (each as defined in NI 45-106), (b) the Business Development Bank of Canada or (c) a subsidiary of any person referred to in (a) or (b) above, if the person owns all the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary) shall have a statutory right of action for damages and/or rescission against the Company if this document or any amendment thereto contains a misrepresentation. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against the Company. This right of action for rescission or damages is in addition to and without derogation from any other right the purchaser may have at law. In particular, Section 130.1 of the Securities Act (Ontario) provides that, if this document contains a misrepresentation, a purchaser who purchases the Shares during the period of distribution shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and has a right of action for damages or, alternatively, may elect to exercise a right of rescission against the Company, provided that:

- a. the Company will not be liable if it proves that the purchaser purchased the Shares with knowledge of the misrepresentation;
- b. in an action for damages, the Company is not liable for all or any portion of the damages that the Company proves does not represent the depreciation in value of the New Shares as a result of the misrepresentation relied upon; and
- c. in no case shall the amount recoverable exceed the price at which the Shares were offered.

Section 138 of the Securities Act (Ontario) provides that no action shall be commenced to enforce these rights more than:

- a. in the case of any action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- b. in the case of any action, other than an action for rescission, the earlier of (i) 180 days after the purchaser first had knowledge of the fact giving rise to the cause of action or (ii) three years after the date of the transaction that gave rise to the cause of action.

These rights are in addition to and not in derogation from any other right the purchaser may have.

By purchasing the Shares hereunder, purchasers in British Columbia or Quebec not entitled to the statutory rights described above are hereby granted, in consideration of their purchase of securities and upon accepting a purchase confirmation in respect thereof, a contractual right of action for damages or rescission that is the same as the statutory right of action, if any, provided to residents of Ontario who purchase the securities.

Certain Canadian income tax considerations. Prospective purchasers of the Shares should consult their own tax adviser with respect to any taxes payable in connection with the acquisition, holding, or disposition of the Shares as any discussion of taxation related matters in this document is not a comprehensive description and there are a number of substantive Canadian tax compliance requirements for investors in the Provinces.

Language of documents in Canada. Upon receipt of this document, each investor in Canada hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the Shares (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

Notice of Underwriters

Any underwriter trading in Shares in Canada is relying on an exemption from the dealer registration requirements of applicable provincial securities laws pursuant to National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations* in connection with the offering of the Shares. None of the underwriters are registered in Canada, and each underwriter is resident in Australia. Accordingly, there may be difficulty enforcing legal rights against the underwriters because they are resident outside of Canada, and all or substantially all of their respective assets may be situated outside of Canada. For the purposes of this offering, prospective investors may contact the Company to obtain the name and address of the underwriters' agent for service of process.

10.8.1.4 European Economic Area – Belgium, Denmark, France, Luxembourg and the Netherlands

In relation to each Member State of the European Economic Area (each a “**Member State**”), no Shares have been offered or will be offered pursuant to the Offer to the public in that Member State prior to the publication of a prospectus in relation to the Shares which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, all in accordance with the Prospectus Regulation, except that offers of Shares may be made to the public in that Member State at any time under the following exemptions under the Prospectus Regulation:

- to any legal entity which is a qualified investor as defined under the Prospectus Regulation;
- to fewer than 150 natural or legal persons (other than qualified investors as defined under the Prospectus Regulation), subject to obtaining the prior consent of the Joint Lead Managers for any such offer; or
- in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Shares shall require the Issuer or any Joint Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “offer to the public” in relation to any Shares in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Shares, and the expression “Prospectus Regulation” means Regulation (EU) 2017/1129 of the European Parliament and the Council of the European Union, as amended.

10.8.1.5 Hong Kong

WARNING: This Prospectus has not been, and will not be, registered as a Prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the SFO). No action has been taken in Hong Kong to authorise or register this Prospectus or to permit the distribution of this Prospectus or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to “professional investors” (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors.

No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this Prospectus have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this Prospectus, you should obtain independent professional advice.

10.8.1.6 New Zealand

This Prospectus has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the “FMC Act”).

The Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act; or
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act.

10.8.1.7 Norway

This Prospectus has not been, and will not be, registered with or approved by Finanstilsynet (the Financial Supervisory Authority of Norway) and it does not constitute a prospectus under the Prospectus Regulation (Regulation (EU) 2017/1129) or the Norwegian Securities Trading Act of 29 June 2007 no. 75. Accordingly, this Prospectus may not be made available, nor may the Shares be offered for sale, directly or indirectly, in Norway other than under circumstances that are exempted from the prospectus requirements under the Prospectus Regulation and the Norwegian Securities Trading Act. Any offering of Shares in Norway is limited to persons who are “qualified investors” as defined in this Prospectus Regulation. Only such persons may receive this Prospectus and they may not distribute it or the information contained in it to any other person.

10.8.1.8 Singapore

This Prospectus and any other materials relating to the Shares has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Shares may not be offered or sold or made the subject of an invitation for subscription or purchase, nor may this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Shares be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or to any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with, the conditions of, any other applicable provision of the SFA.

Where the Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a. a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- b. a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Shares pursuant to an offer made under Section 275 of the SFA except:

1. to an institutional investor or to a relevant person (as defined in Section 275(2) of the SFA), or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
2. where no consideration is or will be given for the transfer;
3. where the transfer is by operation of law;
4. as specified in Section 276(7) of the SFA; or
5. as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Notification under Section 309B(1)(c) of the SFA – In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), the Company has determined the classification of the Shares as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

10.8.1.9 Switzerland

This Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Shares described herein. The Shares may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland but may be offered to individually approached professional investors as defined in article 4 of the Swiss Financial Services Act (“**FinSA**”) and no application has been or will be made to admit the Shares to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Shares constitutes a prospectus pursuant to the FinSA, and neither this Prospectus nor any other offering or marketing material relating to the Shares may be publicly distributed or otherwise made publicly available in, into or from Switzerland.

Neither this Prospectus nor any other offering or marketing material relating to the offering of the Shares has been or will be filed with or approved by any Swiss regulatory authority or any review body.

This Prospectus is personal to the recipient only and not for general circulation in Switzerland.

10.8.1.10 United Kingdom

Neither this Prospectus nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of Section 85 of the Financial Services and Markets Act 2000, as amended (“**FSMA**”)) has been published or is intended to be published in respect of the Shares.

This Prospectus is issued on a confidential basis to “qualified investors” (as defined in Regulation (EU) 2017/1129 as it forms part of UK law by virtue of the European Union (Withdrawal) Act (“**UK Prospectus Regulation**”)) in the United Kingdom, and the Shares may not be offered or sold in the United Kingdom by means of this Prospectus, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of the FSMA. This Prospectus should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received in connection with the issue or sale of the Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which Section 21(1) of the FSMA does not apply to the Company.

In particular, this Prospectus is being distributed only to, and is directed at, persons who are qualified investors (as specified above) (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (“**FPO**”), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together “**relevant persons**”). The investment to which this Prospectus relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on this Prospectus.

10.8.1.11 United States

This Prospectus may not be distributed to, or relied upon by, any person in the United States, unless it forms part of the U.S. Institutional Offering Memorandum for the purposes of the Institutional Offer.

This Prospectus does not constitute an offer of securities for sale in the United States.

The Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States. Accordingly, the Shares may only be offered and sold: (i) in the United States to persons that are reasonably believed to be QIBs in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act pursuant to Rule 144A thereunder, or to Eligible US Fund Managers in reliance on Regulation S; and (ii) outside of the United States in “offshore transactions” as defined in Rule 902(h) under Regulation S) in reliance on Regulation S.

10.9. Taxation considerations

This Section provides a general overview of certain Australian tax consequences for investors who acquire Shares through the Offer.

SaleCo will be selling Shares to investors pursuant to the Offer. In accordance with subsection 14-225(1) of the *Taxation Administration Act 1953* (Cth), SaleCo declares that, for the period from the Prospectus Date until the date of Completion of the Offer, SaleCo will be a resident of Australia for tax purposes. Accordingly, investors should not have an obligation to withhold any portion of the price paid for the Shares under the Offer.

The following tax comments are based on the tax law in Australia in force as at the Prospectus Date. Australian tax laws are complex. This summary is general in nature and is not intended to be an authoritative or complete statement of all potential tax implications for each investor. During the period of ownership of the Shares by investors, the taxation laws of Australia or their interpretation may change. The precise implications of ownership or disposal will depend upon each investor’s specific circumstances. Investors should seek their own professional advice on the taxation implications of acquiring, holding or disposing of the Shares.

The following information is a general summary of the Australian income tax implications for:

- Australian resident:
 - individuals;
 - complying superannuation entities;
 - trusts;
 - partnerships; and
 - corporate entities; and
- non-Australian tax resident:
 - individuals; and
 - corporate entities.

This information does not apply to investors that hold Shares on revenue account, investors who hold their shares as trading stock, investors who are exempt from Australian income tax or investors subject to the Taxation of Financial Arrangements regime in Division 230 of the *Income Tax Assessment Act 1997* (Cth), which have made elections for the fair value or reliance on financial reports methodologies. Taxation issues, such as (but not limited to) those covered by this Section are just one of the matters an investor needs to consider when deciding about a financial product. Investors should consider taking advice from someone who holds an Australian Financial Services Licence before making such a decision.

10.9.1. Dividends paid on Shares

Dividends may be paid to Shareholders by the Company. The Company may ‘attach’ franking credits to such dividends. Franking credits broadly represent the extent to which a dividend is paid by the Company out of profits that have been subject to Australian tax and given rise to a franking account balance. It is possible for a dividend to be fully franked, partly franked or unfranked.

It should be noted that the concept of a dividend for Australian income tax purposes is very broad and is not just limited to the circumstances where a dividend is paid in accordance with the Corporations Act.

10.9.1.1 Australian resident individuals and complying superannuation entities

Dividends paid by the Company on a Share will generally constitute assessable income of an Australian tax resident Shareholder. Australian tax resident Shareholders who are individuals or complying superannuation entities should include the dividend in their assessable income in the year the dividend is paid, together with any franking credit attached to that dividend (for some superannuation funds, dividends from Shares that are held to support current pension liabilities may be exempt from income tax). Such Shareholders should, subject to the satisfaction of certain integrity measures discussed below, be entitled to a tax offset equal to the franking credit attached to the dividend. The tax offset can be applied to reduce the tax payable on the Shareholder’s taxable income. Where the tax offset exceeds the tax payable on the Shareholder’s taxable income, Shareholders should be entitled to a tax refund.

To the extent that the dividend is unfranked, the Shareholder will generally be taxed at the Shareholder’s applicable tax rate on the dividend received with no tax offset.

10.9.1.2 Australian resident corporate investors

Corporate investors are also required to include both the dividend and the associated franking credit in their assessable income. They are then allowed a tax offset up to the amount of the franking credit on the dividend.

An Australian resident corporate investor should be entitled to a credit in its own franking account to the extent of the franking credit on the distribution received. This will allow the corporate investor to pass on the benefit of the franking credits to its own investor(s) on the payment of dividends.

Excess franking credits received, being those that exceed the tax payable by the Company for the year, cannot generally give rise to a refund for a company taxpayer but may be converted into a tax loss that may be carried forward.

10.9.1.3 Australian resident trusts and partnerships

Investors who are trustees (other than trustees of complying superannuation entities) or partnerships will be required to include the amount of the dividend together with any franking credit in determining the net income of the trust or partnership for the income year in which the dividend is received. The rules surrounding the treatment of dividends, particularly franked dividends, for trusts and partnerships are complex. Provided that certain conditions are satisfied, both the liability to pay tax on the dividend (and any franking credits) and the tax offset provided by any franking credits may flow through to the trust beneficiaries or partners (provided that they are Australian residents).

10.9.1.4 Non-Australian resident individuals and corporate investors

Dividends paid to a non-resident of Australia should not be subject to Australian dividend withholding tax to the extent that the dividends have been franked or, if unfranked, the dividends have been declared to be conduit foreign income.

To the extent that a dividend is unfranked and has not been declared to be conduit foreign income, Australian dividend withholding tax will be required to be withheld by the Company on behalf of the non-Australian tax resident investor at a rate not exceeding 30%. Dividend withholding tax may be reduced under an applicable double taxation treaty Australia has with certain treaty countries.

10.9.1.5 Shares held at risk

The benefit of franking credits can be denied where an investor is not a “qualified person” in relation to a franked dividend. In these circumstances, the investor will not include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, for an investor to be a “qualified person”, two tests must be satisfied, namely the “holding period rule” and the “related payments rule”.

Under the “holding period rule”, an investor is required to hold shares ‘at risk’ for more than 45 days continuously (which is measured as the period commencing the day after the shares were acquired and ending on the 45th day after the shares become ex-dividend) in order to qualify for franking benefits, including franking credits. This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income are below \$5,000. Special rules apply to trusts and beneficiaries.

Under the “related payments rule”, a different testing period applies where the investor has made, or is under an obligation to make, a related payment in relation to the dividend. The related payment rule requires the investor to have held the shares at risk for the continuous 45 day period as above but within the limited period commencing on the 45th day before, and ending on the 45th day after, the day the shares become ex-dividend.

Investors should seek professional advice to determine whether these requirements, as they apply to them, have been satisfied.

10.9.1.6 Dividend washing

Dividend washing is a practice through which taxpayers seek to claim two sets of franking credits by selling shares held on the ASX and then effectively purchasing an equivalent parcel of shares on a special ASX trading market. The timing of this transaction occurs after the taxpayer becomes entitled to the dividend on the original parcel of shares but before the official record date for dividend entitlements. Where applicable, no tax offset is available for a dividend received on the parcel of shares purchased on the special ASX trading market. However, if your interest in the Shares purchased on the special ASX trading market exceeds the interest in your first parcel of shares, you may be entitled to claim a portion of the additional franking credits.

Investors should consider the impact of these rules having regard to their own personal circumstances.

10.9.2. Disposal of Shares

10.9.2.1 Australian tax resident Shareholders

Australian tax resident Shareholders who hold their Shares on capital account will be required to consider the impact of the Australian capital gains tax (CGT) provisions in respect of the disposal of their Shares.

Where the capital proceeds received on disposal of the Shares exceed the CGT cost base of those Shares, Australian tax resident Shareholders will be required to recognise a capital gain. The CGT cost base of the Shares should generally be equal to the issue price or acquisition price of the Shares plus, among other things, incidental costs associated with the acquisition and disposal of the Shares. The CGT cost base of the Shares may be reduced as a result of receiving non-assessable distributions from the Company, such as returns of capital.

Conversely, Australian tax resident Shareholders may recognise a capital loss on the disposal of Shares where the capital proceeds received on disposal are less than the reduced CGT cost base of the Shares.

All capital gains made by an Australian tax resident Shareholder for an income year are added together, and all capital losses made for that year are added together, and the total capital losses are subtracted from the total capital gains made during an income year. To the extent that a net gain remains, such Shareholders should be able to reduce

the gain by the amount of any net capital losses carried forward from previous income years (provided certain loss recoupment tests are satisfied). Any remaining net gain will then be required to be included in the Australian tax resident Shareholder's assessable income (subject to the comments below in relation to the availability of the CGT discount concession) and will be taxable at the Shareholder's applicable rate of tax. If a net capital loss is recognised, the loss will only be available to reduce future capital gains, and will be carried forward. Net capital losses are capable of being carried forward indefinitely provided the relevant loss recoupment tests are satisfied.

Non-corporate Shareholders may be entitled to a concession which discounts the amount of the capital gain that is assessed. Broadly, the concession is available where the Shares have been held for at least 12 months prior to disposal. The concession results in a 50% reduction in the assessable amount of a capital gain for an individual Shareholder or trust, and a one-third reduction of a capital gain for an Australian tax resident complying superannuation entity Shareholder. If available, the reduction is applied after the application of any current year capital losses or carried forward net capital losses, and only to the portion of the capital gain on the Shares remaining after applying those losses. The concession is not available to corporate Shareholders.

In relation to trusts, the rules surrounding capital gains and the CGT discount are complex, but the benefit of the CGT discount may flow through to relevant beneficiaries, subject to certain requirements being satisfied.

10.9.2.2 Non-Australian tax residents

Broadly, non-Australian tax resident investors who hold Shares on capital account should not be subject to Australian income tax in relation to a future disposal of these Shares unless:

- the investor (together with its associates) directly holds 10% or more of the issued share capital of the Company at the time of the disposal, or throughout a continuous period of 12 months within the two years before the disposal; and
- at the time of the disposal, more than 50% of the Company's assets (by market value) are 'taxable Australian real property'.

The definitions of the terms 'associates' and 'taxable Australian real property' for Australian tax purposes are complex. It is recommended that non-Australian tax resident investors seek their own advice as to how these expressions may apply to their circumstances.

10.9.3. Tax file numbers

A Shareholder is not obliged to quote a tax file number (TFN), or where relevant, Australian Business Number (ABN), to the Company. However, if a TFN or ABN is not quoted and no exemption is applicable, income tax is required to be deducted by the Company at the highest marginal rate (currently 45%) plus Medicare levy (currently 2%) from certain dividends paid.

The withholding requirement does not apply to the franked part (if any) of a dividend paid by the Company on the Shares.

10.9.4. Stamp duty

No duty should be payable by a Shareholder on the issue or acquisition of Shares pursuant to the Offer.

10.9.5. Australian Goods and Services Tax (GST)

Under current Australian law, GST should not be payable in respect of the issue, acquisition or transfer of Shares. Investors will generally not be entitled to claim full input tax credits for GST included in any costs associated with acquiring, holding or disposing of the Shares.

10.10. E-Conveyancing Regulatory framework

This Section provides additional information relating to the regulatory and legal framework applicable to PEXA's business and to electronic conveyancing.

The following comments are based on Australian legal and regulatory considerations as at the Prospectus Date. The regulatory and legal framework supporting e-conveyancing in Australia is complex and rapidly evolving. This summary is general in nature and is not intended to be an authoritative or complete statement of all potential regulatory and legal implications for each investor. During the period of ownership of the Shares by investors, this regulatory and legal framework may change.

10.10.1. The Torrens Title System in Australia

10.10.1.1 Registration of Titles in Australia

The process for lodging dealings is driven by the Torrens Title system of title by registration. Each State and Territory in Australia operates, either directly or through a private operator, a land register to record and register title to, and interests in, land.

Under the Torrens Title system, legal title to land is obtained upon registration of Dealings on the Register, which upholds the indefeasibility of title. Under legislation in each State or Territory of Australia, a person with a registered interest in land obtains indefeasible title free from all interests except those interests registered prior in time. A failure to register a Dealing may deprive that person of an interest in land, as the title may be defeasible by later registered Dealings. There are exceptions to indefeasibility in limited circumstances (such as fraud).

The Torrens Title System is underpinned by each State or Territory's guarantee of registered title. The guarantee provides compensation to a person who is deprived of land or an interest in land resulting from circumstances relating to errors on the Registers. The guarantee is administered by each State, either through a designated fund or through general State or Territory revenue.

Having been established in South Australia in 1858, variations of the Torrens-based system have been adopted in various other jurisdictions including England and Wales, New Zealand, Ireland, Canada, Malaysia, Singapore and India.

10.10.1.2 Land Titles Offices and Registrars

Each State or Territory's Land Titles Office, which is administered by the relevant Registrar, is the body responsible for maintaining the Torrens Title system in that jurisdiction. Each State or Territory's Land Titles Office maintains, either directly or through a private operator, a Register which records the dealings that are registered under the relevant property legislation in that jurisdiction. Registration involves the execution and lodgement of documents in a form that is prescribed under the legislation or approved by the relevant Registrar.

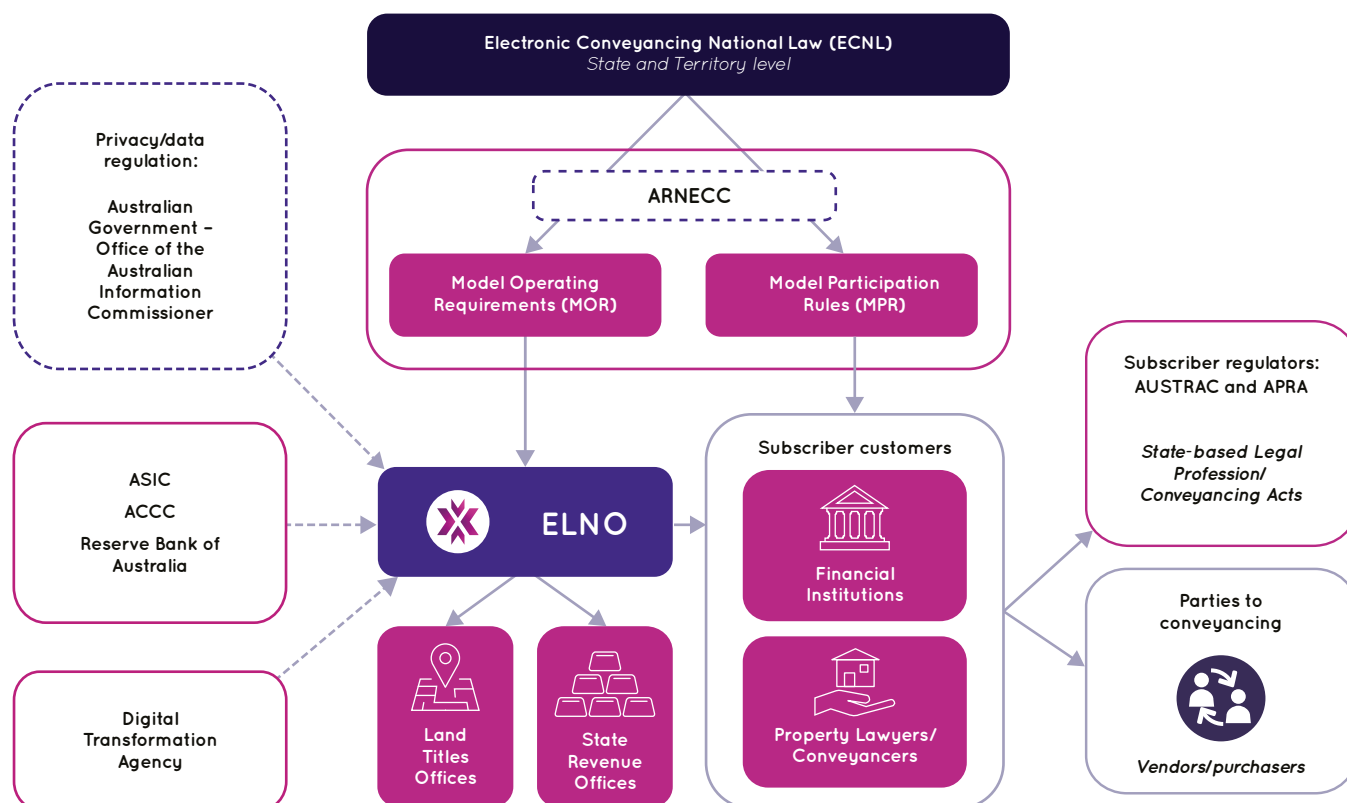
The Registrar in each State and Territory is an appointed public service official with delegated power. An important function of each Registrar is to monitor and enforce the registration process regarding property transactions, which includes maintaining the legislative and policy framework for land title registration, conveyancing and property development, setting the Operating Requirements and participation rules and driving reforms in land titling, such as e-conveyancing.

Several State Governments have privatised Land Titles Offices under long-term concession agreements. The New South Wales and South Australian Land Titles Offices were privatised in contested auctions in 2017, followed by Victoria in 2018 and partial privatisation of the Western Australian Land Titles Office in 2019. In 2020, the Queensland State Government announced plans for the management and ownership of the Queensland Land Titles Office to be managed by QIC Ltd, which is a government company owned by the State of Queensland.

10.10.2. The national regulatory framework for e-conveyancing in Australia

PEXA operates its business within a complex regulatory environment and is subject to a number of regulations, as indicated by Figure 101.

Figure 101: Overview of key regulators and regulations involved in the electronic conveyancing market^{2,3,4}



This section provides further discussion relating to the regulatory framework that supports and regulates PEXA and electronic conveyancing.

10.10.2.1 The Intergovernmental Agreement for an Electronic Conveyancing National Law

In 2011 and 2012, the States and the Northern Territory entered into the Intergovernmental Agreement for an Electronic Conveyancing National Law (**Intergovernmental Agreement**). The Australian Capital Territory entered into the Intergovernmental Agreement in 2020.

The Intergovernmental Agreement provided for the establishment of ARNECC and for each signatory State and Territory to implement a consistent version of the Electronic Conveyancing National Law.

2. PEAL has relief from the requirement to hold an Australian Finance Services Licence (with financial settlements regulated by ASIC).
3. States and Territories have their own general privacy laws that also apply and ARNECC and its subscriber governments play a regulatory role in relation to land information that they hold or receive from PEAL
4. The Digital Transformation Agency is the Commonwealth agency that oversees the gatekeeper digital certificate framework for e-conveyancing. The Digital Transformation Agency is also an observer to e-conveyancing more broadly, including in relation to the continued roll out of e-conveyancing and interoperability.

10.10.2.2 The Electronic Conveyancing National Law (ECNL)

The ECNL is the national model legislation that governs the lodgement component of e-conveyancing in Australia. The ECNL has been implemented in each of the six States, the Northern Territory and the Australian Capital Territory through State and Territory based legislation as shown in Figure 102 below.

Figure 102: State and Territory legislation of electronic conveyancing

Australian States and Territories	Legislation
New South Wales	Electronic Conveyancing (Adoption of National Law) Act 2012 (NSW)
Victoria	Electronic Conveyancing (Adoption of National Law) Act 2013 (VIC)
Queensland	Electronic Conveyancing National Law (Queensland) Act 2013 (QLD)
South Australia	Electronic Conveyancing National Law (South Australia) Act 2013 (SA)
Western Australia	Electronic Conveyancing Act 2014 (WA)
Tasmania	Electronic Conveyancing (Adoption of National Law) Act 2013 (TAS)
Northern Territory	Electronic Conveyancing (National Uniform Legislation) Act 2013 (NT)
Australian Capital Territory	Electronic Conveyancing National Law Act 2020 (ACT)

The ECNL:

- authorises the Registrar (or equivalent in each State or Territory) to operate or approve the operation of an ELN, including the renewal or revocation or suspension of approval to operate as an ELNO and the imposition or variation or revocation of conditions on such approval;
- provides for the recognition and non-repudiation of electronically lodged documents and electronic signatures;
- provides for the making of Operating Requirements and Participation Rules relating to ELNs (having regard to MORs proposed by ARNECC), and requires ELNOs to comply with such requirements and rules; and
- authorises the Registrar to conduct an investigation into whether an ELNO is complying with the Operating Requirements, or has engaged in any misconduct.

Proposed changes to the ECNL

Under the Electronic Conveyancing National Law, each Registrar is entitled to operate an electronic lodgment network in its State or Territory and also to approve any other person (subject to satisfying the qualifications in the Operating Requirements) to operate such an electronic lodgment network.

PEAL has entered into an operating agreement with each of the Registrars in New South Wales, Victoria, Queensland, South Australia and Western Australia, as well as a similar deed of operation with the State of South Australia. In 2019, the New South Wales Registrar reissued PEAL's approval to operate an electronic lodgment network subject to conditions, which replaced the preceding operating agreement between the Registrar in New South Wales and PEAL.

As the ECNL currently lacks the range of enforcement powers found in many other regulatory regimes, ARNECC has advised that it intends to amend the ECNL to:

- provide the Registrars new enforcement, investigative and cooperative powers, including new powers to issue binding directions, civil penalties and infringement notices, accept enforceable undertakings, and publish information about ELNO and Subscriber non-compliance, binding directions, investigations and civil proceedings;
- clarify other matters of practice, including information sharing between Registrars on the compliance of ELNOs and Subscribers with the Operating Requirements and Participation Rules, and confirming that the Registrars are authorised to make Operating Requirements in relation to integration, separation and ELNO service fees; and
- facilitate interoperability.

With respect to interoperability, ARNECC has advised that interoperability will be facilitated through amendments to the ECNL, which will entail introducing a definition of interoperability, a requirement to interoperate, and the potential enhancement of heads of power under the Model Operating Requirements to allow Registrars to set specific requirements for interoperability, including with regard to interoperability agreements (between ELNOs), dispute resolution and pricing principles for fees payable by the Participating ELNO(s) to the Responsible ELNO. ARNECC has also indicated it intends to amend the ECNL to extend the existing client authorisation and reliance regime to cover interoperable transactions and financial settlement.

These proposed changes to the ECNL were advised on an in-principle basis in the absence of substantial detail pursuant to recent position papers published by ARNECC in April and May 2021, and remain subject to further and ongoing consultation with PEAL and industry stakeholders.

10.10.2.3 ARNECC

ARNECC was established under the Intergovernmental Agreement to oversee the national regulatory framework for electronic conveyancing, and specifically the lodgement component of digital property settlements. Regulatory oversight of the financial settlement component of PEAL's digital property settlements is discussed in further detail at Section 10.10.2.9.

ARNECC, which is comprised of the Registrar of each State and Territory (or the Registrar's nominee), is as an advisory and co-ordination committee. Each Registrar is responsible for implementing decisions in its respective State or Territory under the relevant Electronic Conveyancing National Law.

ARNECC's principal functions are to:

- advise the States and Territories of any proposed changes to the Electronic Conveyancing National Law;
- provide authoritative advice to the States and Territories about matters relating to electronic conveyancing;
- ensure that, as far as possible, business practices with respect to e-conveyancing are consistent when implemented in each jurisdiction;
- develop one nationally agreed set of:
 - Model Operating Requirements that relate to and regulate ELNOs; and
 - Model Participating Rules to be applied by ELNOs, and to be observed by Subscribers;
- review annual reports submitted by ELNOs to the Registrars to ensure continuing compliance with the Model Operating Requirements and Model Participating Rules; and
- administer the entry of new ELNOs through the granting of category approvals to operate under the Model Operating Requirements as discussed in Section 2.5.2.

Although not required under the ECNL, ARNECC issues an ELNO an annual compliance certificate for compliance with the Model Operating Requirements. In April 2021, ARNECC informed PEAL that it would not be issued its certificate of compliance for financial year 2019-2020 following ARNECC's assessment that PEAL was only partially compliant with the Model Operating Requirements, due to PEAL's failure to meet all required Performance Levels during the financial year 2019-2020 and due to PEAL not having obtained an Independent Certification or a waiver from South Australia in respect of PEXA SettleAssist providing a pro bono conveyancing service during the financial year 2019-2020. PEAL believes that it did not meet a Performance Level arising from a failure to remedy a 79 minute service disruption on a Saturday (which exceeded the 40 minute service recovery requirement), and separately, for PEXA SettleAssist providing a pro bono conveyancing service to a not-for-profit organisation (which technically breached the separation requirements). PEXA SettleAssist no longer provides such services. Notwithstanding there are no material consequences for PEAL on this occasion, it will engage with ARNECC on this issue and seek to remediate its internal processes to avoid further technical breaches of this nature.

ARNECC typically proposes changes to the Model Operating Requirements and Model Participation Rules each year to deal with technical changes and other requirements. PEAL has been actively involved with ARNECC, the Registrars, governments and industry participants in shaping this regulatory framework, which was initially designed to support and regulate a single provider of ELNO services, being PEAL.

With respect to market structure reform and interoperability, ARNECC and the States are leading the changes to the Electronic Conveyancing National Law in consultation with industry, and the Australian Registrars Working Group are drafting changes to the Model Operating Requirements in consultation with stakeholder working groups. PEAL anticipates version 7 of the Model Operating Requirements, which are anticipated to be introduced later in 2021, may require a more comprehensive update to PEAL's operations and systems given it may comprise changes relating to the implementation of interoperability.

Pursuant to position papers published in April and May 2021, ARNECC has proposed changes to the Electronic Conveyancing National Law to introduce interoperability and introduce new enforcement and investigatory powers for Registrars, which are discussed in further detail at Section 10.10.2.6.

10.10.2.4 Model Operating Requirements

The Model Operating Requirements are a set of model requirements developed by ARNECC. The current Model Operating Requirements are version six, published in February 2021. The Model Operating Requirements are taken into account by each of the Registrars in New South Wales, Victoria, Queensland, South Australia, Western Australia and the ACT when setting the Operating Requirements for their respective State or Territory, and these Registrars have typically implemented the Model Operating Requirements.

The Operating Requirements in each jurisdiction are applicable to each ELNO that has received approval to operate an electronic lodgment network and address a range of matters, including:

- *Eligibility criteria*: Outlining the criteria that an ELNO must satisfy in order to operate as an ELN including in respect of character, financial, technical and organisational resources, insurance, testing and ongoing testing.
- *Widespread use*: Requiring ELNOs to have in place and implement a plan to encourage widespread industry use of the ELN.
- *Availability and minimum performance levels*: Requiring an ELNO to ensure that its ELN is available in all States and Territories and that it meets minimum service performance levels.
- *Requirements for capability of lodgement*: Outlining the minimum requirements for which instruments and documents must be capable of lodgement via the ELN, including the payment of duty and the need to provide support services to verify the integrity of lodgements.
- *Security and integrity*: Outlining the obligations ELNOs must comply with in relation to system security and integrity, minimum system requirements, minimum performance levels, business continuity and disaster recovery management, change management, dealings with subscribers, compliance monitoring and reporting, and data and information.

- *Use and Storage of Land Information:* Requiring ELNOs to obtain the Registrar's consent (which may not be unreasonably withheld) to: (a) use, reproduce or disclose any Land Information for a conveyancing transaction, other than that required or requested by Subscribers to a workspace in which the information appears, or (b) to create data or other products that are the same or substantially similar to or include, or reverse engineer, recreate or rework Land Information for the benefit of the ELNO, Subscribers or third parties. Land Information is information provided by the Land Titles Office or information used to complete electronic documents to be lodged at the Land Titles Office (**Land Information**). There is no requirement for PEXA Insights and PEXA Ventures to obtain Registrar approval for use of Land Information because these entities are not subject to the Model Operating Requirements. Rather, PEAL must obtain Registrar approval in order to disclose Land Information to PEXA Ventures and PEXA Insights. As of the date of this Prospectus, PEAL has not yet sought any such approvals for PEXA Insights and PEXA Ventures. However, PEAL has experienced some inefficiencies in obtaining Registrar consents in relation to PEAL's proposals to develop certain products and services that use Land Information that are ancillary to core conveyancing services that PEAL provides. PEXA is developing a proposal for the Registrars to introduce a more efficient framework to address these issues, which it intends to workshop with the Registrars in the short term. PEAL's operating arrangements with each of the Registrars (other than Western Australia) provide further detail regarding PEAL's obligation to use and disclose Land Information for the development of value added services and products, see Section 9.
- *Non-discrimination obligations:* Setting out non-discrimination provisions for ELNO dealings with Subscribers and other third party service providers.
- *Pricing cap regime:* For the period from 1 July 2019 to 1 July 2022, ELNOs are required to limit price increases for the e-conveyancing services they provide to CPI indexed annually, noting this regime replicates the CPI price controls PEAL has in place with all categories of Subscribers. Further in New South Wales, pursuant to the general conditions to operate an ELNO that apply to all ELNOs, PEAL's ELNO service fees must also be set in compliance with a 'CPI less X' pricing regime, where the 'X' factor is set by the New South Wales Registrar annually (as discussed in further detail at Section 10.10.2.6 below). For further discussion regarding the risks relating to pricing controls, see Section 5.2.1.
- *Structural/operational separation obligations:* Requiring an ELNO to establish either: (a) structurally separated related entities in respect of the provision or offer of Downstream or Upstream Services; or (b) a business unit that is separate from the Downstream or Upstream Service, and ensure operational separation. A "Downstream or Upstream Service" is defined under the Model Operating Requirements as a service supplied or offered to a Person which directly or indirectly: (i) accesses or uses an ELN; or (ii) integrates with an ELN; or (iii) utilises information accessible through or generated by an ELN. If an ELNO intends to, or is, supplying a Downstream or Upstream Service, it is required to prepare, publish, implement and keep current a separation plan outlining how it will comply with these structural/operational separation obligations. As discussed in Section 3.4.5.2, PEXA established PX Ventures as a separate company and is in the process of developing a separation plan for PX Ventures (noting that the separation plan will need to be approved by an independent expert prior to being published and implemented). PEXA currently does not have a separation plan for PEXA Insights, which is also established as a separate company. However, if PEXA Insights proposes to supply a service that satisfies the criteria of a Downstream or Upstream Service, an implementation plan will need to be prepared and approved by an independent expert prior to the roll out of that service.
- *System to System Integration requirements:* Requiring ELNOs to provide access to their ELNs and prepare and publish a set of publically available standard integration terms for third party service providers (such as, for example, property search providers) to integrate and be treated on an equivalent basis, subject to certain specified differences attributable to the type, level or class of integration. In March 2020, PEXA published its current standard integration terms on its website.

- *Implementation Plan*: Requiring ELNOs to provide the Registrar with, and keep the Registrar updated, of an implementation plan covering a minimum of a two year period that outlines an ELNO's plan for future improvements to the ELN's performance, functionality or capability. ELNOs are also required to implement and observe any changes to such a plan that the Registrar may reasonably request in writing following good faith negotiations between the Registrar and the ELNO.⁵
- *Provisions relating to the Registrars' power*: Outlining the Registrars' powers to suspend or revoke an ELNO's approval to operate an ELN in specified circumstances, which include insolvency events, material breaches of the Operating Requirements, providing misleading or providing false information to the Registrar, failing to remove a company Officer who has been convicted of a criminal offence, or in the event the ELNO ceases, or threatens to cease, operating the ELN or a substantial part of it without reasonable excuse.

With the exception of version 5 of the Model Operating Requirements, which introduced pricing and competitive behaviour controls, PEXA, and in particular PEAL, has been able to implement amendments to the Model Operating Requirements with minimal to moderate disruption to its operations. For example, version 6 of the Model Operating Requirements required only minor to moderate updates to PEXA's, and in particular PEAL's, operations and processes.

10.10.2.5 Model Participation Rules

The Model Participation Rules are a set of model rules developed by ARNECC. The current Model Participation Rules are version 6, published in February 2021. The Model Participation Rules are taken into account by each of the Registrars in New South Wales, Victoria, Queensland, South Australia, Western Australia and the ACT when setting the Participation Rules for their respective States or Territory, and these Registrars have typically implemented the Model Participation Rules.

The Model Participation Rules address a range of matters, including:

- the eligibility criteria for subscribers;
- the obligations of subscribers, including (without limitation) any representations or warranties they are required to give;
- the circumstances in which a subscriber's authority to use the ELN may be restricted, suspended or terminated;
- client authorisations;
- the obligations of subscribers to verify the identity of their clients;
- the certification of dealings and other documents for use in connection with the ELN;
- digital signing;
- the retention of documents created or obtained in connection with a subscriber's use of an ELN; and
- compliance by subscribers with the Model Participation Rules, including (without limitation) how subscribers demonstrate compliance, the procedures for notifying non-compliance and how non-compliance may be remedied.

PEAL's standard customer contracts, known as participation agreements, are required to incorporate and be consistent with the Participation Rules, and govern the terms on which subscribers may access and use PEAL's ELN. Under the ECNL and the Operating Requirements, PEAL must ensure that each registered subscriber enters into a participation agreement prior to registration and access of the ELN. For further discussion of PEAL's participation agreements, see Section 9.

5. This obligation was introduced on 12 April 2021, so PEAL has not yet provided an implementation plan to Registrars.

10.10.2.6 Approval Conditions and Operating Arrangements

Under the Electronic Conveyancing National Law, each Registrar is entitled to operate an electronic lodgment network in its State or Territory and also to approve any other person (subject to satisfying the qualifications in the Operating Requirements) to operate such an electronic lodgment network.

PEAL has entered into an operating agreement with each of the Registrars in New South Wales, Victoria, Queensland, South Australia and Western Australia, and a deed of operation with the State of South Australia. In 2019, the New South Wales Registrar reissued PEAL's approval to operate an electronic lodgment network subject to conditions, which replaced the preceding operating agreement between the Registrar in New South Wales and PEAL.

These operating arrangements, and in the case of New South Wales and South Australia the approval and approval conditions, address similar matters including PEAL's approval under the ECNL, change of control consents and regulatory approvals for the development of value added services that use Land Information (as discussed in further detail at Section 9 (material contracts)). They also provide for compliance with, and changes to, the Model Operating Requirements, co-operation with service providers engaged by the Registrar to maintain the security and integrity of the Registrar, initial and ongoing testing and service levels, the collection and payment of Land Titles Office fees, data and information rights and obligations, the powers of the Registrars, dispute resolution and indemnities.

In New South Wales, under the approval conditions to operate an ELNO, PEAL is required to comply with additional requirements that are not addressed under the operating arrangements PEAL is subject to in other States. These include additional security, integrity and performance obligations, a bespoke CPI-X price control regime, and governance obligations relating to arrangements with the New South Wales Land Titles Office and State Revenue Office, and a vendor guarantee against fraud.

The CPI-X based price control regime applies generally to all ELNOs. Under this regime, PEAL can only make changes to the prices it charges for e-conveyancing services annually, and is required to limit price increases to an increase of CPI less X. The 'X' factor is set by the NSW Registrar annually. In determining the 'X' factor, the Registrar of NSW must have regard to cost-reflective pricing and the outcomes of the review of pricing regulation of electronic conveyancing conducted by the IPART as commissioned by the Premier of NSW in October 2018 and any future review conducted by IPART with a similar scope. In November 2019, IPART concluded that PEAL's ELNO service fees are reasonable and set at or below the price of a benchmark efficient ELNO. As of the date of this Prospectus, the X factor remains set at 0.

10.10.2.7 Privacy laws

PEXA is required to comply with the *Privacy Act 1988* (Cth), and equivalent State and Territory privacy laws, which regulate how personal information is handled. Data held by PEXA includes personal information, and PEXA needs to ensure there is no unauthorised access, disclosure or loss of personal information held by PEXA.

For example, PEXA Insight's products and services generally do not deal with transaction level information. Rather, information is aggregated to a de-identifiable level that ensures that the information is no longer personal.

Separately PEXA Key, PEAL's settlement app that buyers and sellers can elect to use in connection with the PEXA Exchange, does use personal information, however, only in instances where the user has directly accepted PEXA Key's terms and conditions. Each time PEXA considers a product, such as PEXA Key, PEXA identifies which information may be used in accordance with applicable laws, including privacy laws.

10.10.2.8 Competition and consumer laws

PEXA is required to comply with competition and consumer protections under the *Competition and Consumer Act 2010* (Cth). The ACCC is an observer to ARNECC's ongoing consultation and can provide expert advice in relation to market structure reform and interoperability (as required). As PEAL is the incumbent provider of e-conveyancing services in Australia, and with plans to expand into adjacent markets, PEXA may come under increasing scrutiny from the ACCC and potentially incur increased regulatory compliance costs, enforcement by the ACCC or regulatory intervention.

10.10.2.9 Financial settlement and payment regulation

There is not a defined regulatory regime that governs the financial payment and settlement components of electronic conveyancing. Currently:

- The Reserve Bank Information and Transfer System (**RITS**), which PEAL has chosen to use for the financial settlement process associated with electronic conveyancing, is overseen by the Reserve Bank of Australia. The Reserve Bank of Australia requires PEAL to inform it of changes to its settlement processes. PEAL has entered into contractual arrangements with the Reserve Bank of Australia that incorporate and require PEAL to comply with the RITS Regulations (as discussed in Section 9); and
- ASIC is the regulator responsible for payment systems and consumer protection. ASIC has granted relief to PEAL from Australian Financial Services Licensee requirements for the provision of settlement services associated with e-conveyancing. Relief is subject to PEAL meeting conditions of its exemption, which includes certain provisions in its practitioner agreements responding to mistaken payments (e.g. when settlement funds are paid inadvertently to the wrong account) and requiring PEAL to obtain an annual independent certification that its settlement processes remain fit for purpose.

The Electronic Conveyancing National Law is silent as to the regulation of financial settlement and payment processes in electronic conveyancing, and no regulator currently has oversight of the end-to-end delivery versus payment system. A review is underway involving members of the Council of the Financial Regulators, the ACCC and the Registrars, and a number of possible options to address this regulatory gap are being considered, including an industry developed standard dealing with the payment and financial settlement aspects of electronic conveyancing.

10.10.3. The National Electronic Conveyancing Data Standard and other interface specifications

10.10.3.1 The NECDS

The NECDS is the data standard for the interface between the electronic lodgment network and Land Titles Offices. PEAL was a key stakeholder, and invested significantly in the development of the NECDS.

Following Sympli receiving its approval to operate as an ELNO, the New South Wales Registrar requested that the NECDS be made available for all ELNOs to interface with the Land Titles Offices on an equivalent basis. PEAL has supported this move, in exchange for compensation for the intellectual property rights in the NECDS and the establishment of a regulatory regime for the proper future management of the NECDS. PEAL and ARNECC are currently developing this regulatory regime, which is yet to be implemented.

PEAL reached agreement with the New South Wales Registrar to develop a regulatory regime for the NECDS and entered into a deed on 18 June 2018 (the **Principal Deed**). On 16 November 2018, 5 July 2019, 6 December 2019, 2 July 2020 and 15 April 2021, certain clauses of the Principal Deed were amended to extend the timeframe for PEAL and the New South Wales Registrar to agree to arrangements for the governance of the NECDS.

PEAL and ARNECC have agreed to use their best endeavours to implement a national ongoing governance framework for the management and development of the NECDS by 30 September 2021. This includes the transfer of any intellectual property in the NECDS to an appropriate third party with the terms (including compensation) of such a transfer agreed to by the parties. An in-principle agreement was reached with ARNECC (subject to completion of relevant documentation) with regard to compensation.

PEAL has entered into an interim licensing arrangement with both Sympli and Purcell Partners, whereby PEAL grants access to, and a licence of, the NECDS, subject to the payment of an access fee which compensates PEAL for the costs of maintaining and developing the NECDS during the term of the licence. This interim licensing arrangement continues until the governance framework discussed above is implemented.

The regime allows potential ELNOs to use the NECDS to build, design, develop, create, test, launch and operate an ELN (subject to satisfying obligations under the Model Operating Requirements). The regime provides for the sharing of costs incurred by PEAL in developing the NECDS and establishing a model for the future development and availability of the NECDS to ELNOs and Land Titles Offices.

PEAL has also developed document specifications for interfaces with the State Revenue Offices and financial institutions. PEAL is also working with ARNECC and Sympli to develop a data standard to facilitate interoperability.

10.10.3.2 Other interface specifications

PEAL has also developed document specifications for interfaces with Land Titles Offices, State Revenue Offices and financial institutions, including:

- State-based specifications for interfacing between the PEXA Exchange and each Land Titles Office that uses e-conveyancing, which are now maintained by the Land Titles Office (noting that while jurisdictional variances are permitted, such variances must align/adhere to the parameters provided in the NECDS);
 - State Revenue Offices messaging standards under which the PEXA Exchange interfaces with each State Revenue Office (**ROMS**), which is a single national standard for State Revenue Offices, which are maintained by PEAL. While each State Revenue Office maintains its own jurisdictional interface specification they must ensure alignment with the parameters provided in the ROMS; and
 - specifications for interfacing between the PEXA Exchange and financial institutions,
- (together, the **Other Specifications**).

Unlike the NECDS, none of the Other Specifications are national industry standards by which all ELNOs must interface with Land Titles Offices, State Revenue Offices or relevant financial institutions. The Other Specifications enable PEAL's electronic lodgment network to communicate with the IT platforms at each Land Titles Office, State Revenue Office and financial institution (as the case may be).

10.10.4. Interoperability and market structure

Interoperability refers to different ELNOs' systems being able to communicate with each other to complete a property transaction. At present, there is currently no interoperability between ELNOs in the Australian conveyancing market; consequently, under the existing market structure, all parties to an electronic conveyancing transaction must use the same ELNO. Although Sympli gained the required approvals to operate in 2018, at present PEAL is the only ELNO that has the capabilities to host significant volumes of transactions. Interoperability has in-principle support from governments and key industry stakeholders (being PEAL, Sympli and relevant national industry peak bodies) to improve competition between ELNOs. For multi-party transactions, such as transfers and refinance transactions, interoperability would allow practitioners to use the ELNO of their choosing to complete a property transaction. Interoperability will enable an ELNO with an only partially developed capability to perform some roles in transactions.

10.10.4.1 Development of the interoperability model

There has been significant engagement between industry and governments over several years to develop a national interoperability model. ARNECC is working toward facilitating the first stages of interoperability by the end of 2021⁶ and has announced an implementation plan for the incremental roll out of interoperability over 2022 by jurisdiction and lodgement type. PEAL, working with ARNECC, Sympli and other key industry stakeholders, including peak industry bodies, financial institutions, Land Titles Offices and State Revenue Offices, has been actively involved in the development of the national interoperability model.

The proposed model of interoperability will be supported by a layered regulatory regime comprising changes to the Electronic National Conveyancing Law, the Model Operating Requirements and Model Participation Rules, and a new commercial agreement between ELNOs known as an Interoperability Agreement (which will incorporate and be consistent with regulatory and legislative changes required to implement interoperability).

ARNECC has advised that it will release a regulatory impact statement for public consultation in June/July 2021, and it has released a high-level overview of anticipated amendments to the National Electronic Conveyancing Law. Under the intergovernmental framework, amendments to the legislation would be first considered by one State or Territory parliament and (if passed) then replicated in the other jurisdiction either automatically or by consideration of an identical bill. It is currently expected that the first lodgement and consideration of a bill will be in New South Wales later in 2021.

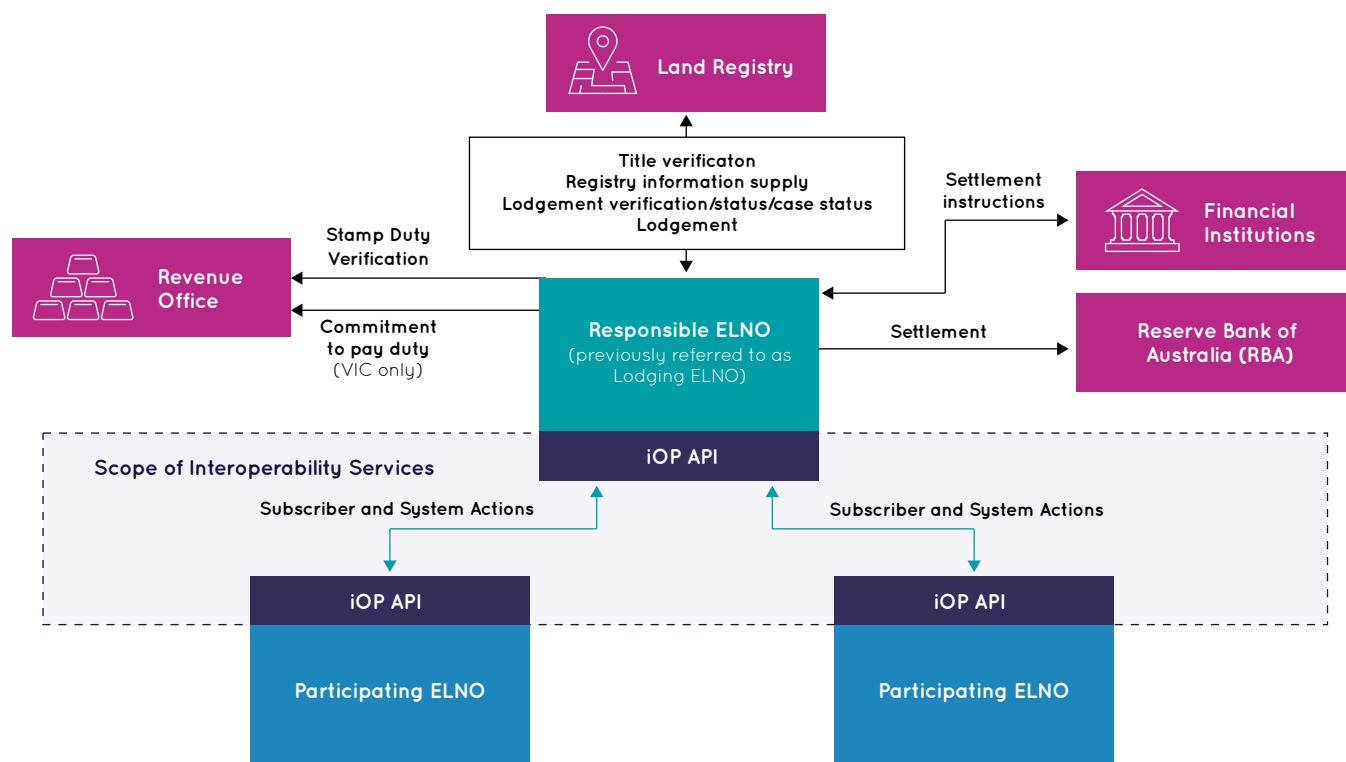
If legislation is passed, ARNECC will then develop amendments to a range of subordinate regulatory instruments to elaborate the interoperability requirements and standards for ELNOs and other market participants.

6. Refer to www.arnecc.gov.au for further details.

10.10.4.2 The proposed interoperability model

Figure 103 provides a visual representation of the currently proposed interoperability model, the “Responsible ELNO model”.

Figure 103: Current proposed interoperability model⁷



The proposed interoperability model will apply to electronic conveyancing transactions in which the participants have chosen to use different ELNOs. To facilitate the transfer of data between ELNOs, ARNECC is facilitating the development of interoperability application programming interfaces (APIs), known as the National e-Conveyancing Interoperability Standards, that will enable ELNOs to exchange data and communicate (see the interoperability interface at Figure 103). The interoperability APIs are still being developed, with further technical work required to develop related matters including process flows, business rules, non-functional requirements (such as security) and technical architecture.

For each interoperable transaction one of the ELNOs will be designated as the ‘Responsible ELNO’. The Responsible ELNO will orchestrate the transaction and interact with the relevant land registry, financial institutions and (where required) State Revenue Office. It will also perform the financial and lodgement components required to complete the transaction. Other ELNOs that host one or more subscribers in the transaction are designated as ‘Participating ELNO(s)’.

Under the proposed interoperability model, the Participating ELNO(s) will pay a fee to the Responsible ELNO for the larger scope of services and the higher level of risk that it undertakes to orchestrate and execute an interoperable transaction.

7. Interoperability Operational Committee, Interoperability Model Overviews, version 1 (30 March 2021).

The selection of the Responsible ELNO will first be determined by the responsible participant (either the incoming mortgagee or purchaser where there is no new mortgage) and secondly by capability. To perform the role, the Responsible ELNO must have in place suitable business processes and electronic connections with the participating registries, revenue offices and financial institutions in the applicable jurisdiction. PEAL has established and developed these capabilities over many years and is well placed to perform the role of Responsible ELNO for the majority of interoperable transactions in the short term as interoperability is progressively implemented.

PEXA expects the interoperability agreement between ELNOs will govern, among other matters, the relationship between ELNOs, including provisions relating to dispute resolution, the fee payable by Participating ELNO(s) to the Responsible ELNO, business rules for designation of the Responsible ELNO, and provisions to ensure consistency with, and the incorporation of, regulatory and legislative amendments relating to interoperability. The parties are yet to negotiate and agree on the fee structure for interoperability, but ARNECC has proposed that until the market matures, Registrars should have power to regulate, or impose principles around, the pricing of such fees.

With regard to dispute resolution, ARNECC has proposed that there should be a requirement for the interoperability agreement to contain a binding dispute resolution process to resolve disputes between ELNOs relating to interoperable transactions, and that this process should be conducted by an independent arbitrator with sufficient knowledge of ELNs, their operation and their purpose. ARNECC has previously noted that it does not consider it appropriate for the Registrars to have a dispute resolution function as they do not have the expertise or resources to perform that role. The form of any dispute resolution framework to support interoperability may also require reconsideration of basic principles of liability allocation. These matters are subject to further consultation and PEXA anticipates work will commence in this regard in the short term.

ARNECC, PEXA, Sympli and other key industry stakeholders have endorsed a number of principles to guide the development of the model, including that confidence in digital conveyancing is further strengthened, transactions need to be efficient and secure, and any solution must be implemented in a manner involving least disruption to industry.

10.10.5. Other regulators

The principal regulators that supervise and regulate PEXA's activities are ASIC and the ACCC. PEXA will also be supervised and regulated by ASX Limited (as the operator of ASX) once it is listed.

Set out below is a brief description of PEXA's key regulators and certain key regulatory provisions that are applicable to PEXA's operations.

10.10.5.1 ASIC

ASIC is Australia's corporate, markets and financial services regulator, which regulates Australian companies, financial markets, financial services organisations and professionals who deal and advise in investments, superannuation, insurance, deposit taking and credit. ASIC is also responsible for consumer protection, monitoring and promoting market integrity and licensing in relation to the Australian financial system. ASIC is the corporate regulator in Australia and is responsible for enforcing appropriate standards of corporate governance and conduct by Directors and officers.

10.10.5.2 ACCC

The ACCC is Australia's competition regulator. Its key responsibilities are to ensure that corporations do not act in a way that may have the effect of eliminating or reducing competition, and to oversee product safety and liability issues, pricing practices and third party access to facilities of national significance. The ACCC's consumer protection activities complement those of Australia's State and Territory consumer affairs agencies that administer the unfair trading legislation of those jurisdictions.

10.10.5.3 ASX

ASX is Australia's primary securities market, on which PEXA's ordinary shares will be listed. Once listed, PEXA will have a contractual obligation to comply with the ASX Listing Rules, which have the statutory backing of the Corporations Act. The ASX Listing Rules govern requirements for listing on ASX and include provisions in relation to issues of securities, disclosure to the market, executive remuneration and related party transactions. ASX and ASIC will oversee PEXA's compliance with the ASX Listing Rules.

10.10.6. Financial regulatory framework relating to PEXA's proposed settlement solution for England and Wales

This section discusses the financial regulatory framework that may apply to PEXA's currently proposed offering for England and Wales, which at this stage contemplates a financial settlement services solution for mortgagees (**UK Settlement Solution**). PEXA's offering is yet to be launched in England and Wales and the form of that offering is subject to ongoing development, as well as negotiation with, and approval by, government stakeholders and regulators in England and Wales. In the proposed UK Settlement Solution, incoming and outgoing mortgagees prepare, enter and verify their settlement instructions. PEXA then calculates and provides a set of netted settlement instructions to the Bank of England for the settlement of obligations between participating mortgagees in central bank money.

10.10.6.1 Licensing

The Payment Services Regulations 2017 (**PSRs**) and the Financial Services and Markets Act 2000 (**FSMA**) make it a criminal activity for certain regulated services to be carried out in the UK without an appropriate licence. However, PEXA has received preliminary legal advice that the UK Settlement Solution will not require a licence either under the PSRs, which generally excludes activities carried out within a payment systems or under FSMA.

10.10.6.2 Regulation of Payment Systems

The three key pieces of legislation relevant to operators of payment systems in the UK are:

- Part 5 of the Banking Act 2009 (the **Banking Act**), which establishes a regulatory regime for the oversight of inter-bank payment systems;
- Part 5 of the Financial Services (Banking Reform) Act 2013 (the **FSBR Act**), which provides for a competition-focused regime for retail payments systems; and
- Financial Markets and Insolvency (Settlement Finality) Regulations 1999 (**SFRs**), which seek to reduce the risks associated with participation in payment and securities settlement systems by minimising the disruption caused by insolvency proceedings brought against a participant in such a system.

The powers of the applicable regulator under the Banking Act and FSBR Act only apply when the payment system has been 'designated' by a designating authority, as set out below.

Under the SFRs, it is the operator of the payment system that must apply for the system to be 'designated' (and so for the SFRs to apply).

The Banking Act

For the UK Settlement Solution to be designated under the Banking Act, the Bank of England would need to be satisfied that any deficiencies in the design of the UK Settlement Solution, or any disruption of its operation would be likely to:

- threaten the stability of, or confidence in the UK financial system; or
- have serious consequences to business or other interests throughout the UK.

While there is a possibility that the proposed UK Settlement Solution could be designated under the Banking Act, such designation may only be forthcoming as and when it demonstrates substantial volumes.

If the UK Settlement Solution was designated under the Banking Act, the Bank of England's powers would include publishing binding codes of practice for operators and requiring operators to change the rules of the proposed UK Settlement Solution.

FSBR Act

For a system to be designated under the FSBR Act, among other things, its primary purpose needs to be enabling persons to transfer funds. It is unclear whether the proposed UK Settlement Solution may be designated under the FSBR. When taken together with PEXA's lodgement solution for England and Wales, the UK Settlement Solution's primary purpose could be construed as facilitating digital transfers of real property/re-mortgage transactions rather than transferring funds (which is ancillary).

Being designated under the FSBR Act does not necessarily entail new obligations but means that the applicable regulator is in a position to potentially exercise certain powers. These include powers to require or prohibit specified actions, set standards, change the rules of a system and require an operator to dispose of all or part of its interest in the system.

SFRs

As the proposed UK Settlement Solution involves determining net payment obligations, it is potentially eligible for designation under the SFRs. It would also need to satisfy various other requirements (e.g. regarding its rules) set out in the SFRs.

10.10.6.3 Requesting the Bank of England to act as settlement service provider

For net obligations between participants in the proposed UK Settlement Solution to be settled in central bank money at the Bank of England, PEXA will have to ask the Bank to act as the settlement service provider (SSP)⁸.

The factors that the Bank of England is to consider when deciding whether to act as the SSP for a payment system include: a) the value and volume of transactions of the system; b) the nature of the transactions processed through the system; and c) the number of directly settling members eligible for a Bank settlement account.

PEXA has received preliminary legal advice that each of these requirements are potentially satisfied in respect of the proposed UK Settlement Solution.

10.11. Estimated potential market size methodology

PEXA engaged Frost & Sullivan, a global consulting firm, to estimate the potential market sizes for a range of products and services that PEXA may develop. PEXA is providing these estimates to assist potential investors to understand the potential pool of revenue that may be available for particular products and services or groups of products and services. It is important to understand that these estimates are estimates of a market size that may be available for actual or potential products and services, but are not estimates or predictions of the size of a market that exists now or a market that will exist in the future for the indicated products and services. A number of these estimates relate to products and services that do not currently exist, for which there is no existing data on which to base a revenue estimate and which are therefore inherently more uncertain.

The actual revenue available in the future from the products and services indicated will be subject to many factors beyond PEXA's control, including changes in the property market, changes to the range of alternative or substitute products and services available and their pricing, changes in the range of channels to market available to service providers and general economic factors.

8. An SSP provides final settlement of the claims and liabilities that arise between direct participants in a payment system. This final settlement is achieved via the transfer of balances between accounts that the direct members hold with the SSP. Whilst it is not essential that a payment system use a central bank as its SSP, this is highly desirable as central banks are typically creditworthy, reliable and independent.

By providing these estimates, PEXA is not representing that it will be able to develop products and services that earn a share of the revenue and is not providing any estimate of the revenue that any of the products and services that it develops will achieve. The financial forecast in Section 4 assumes that PEXA will not generate significant revenue from these growth initiatives during the forecast periods, and the timing of any products and services that PEXA may develop is uncertain and may be subject to regulatory and third party approvals. If any of these opportunities are pursued through a joint venture, investment or other partnership, any resulting revenue will not accrue directly to PEXA but to the entity that pursues the opportunity, so any benefit to PEXA will be indirect only.

While the methods employed by Frost & Sullivan generate numerically specific estimates, these estimates are approximations and should not be interpreted as measurements of an exact market size.

PEXA is providing the following information about the way these estimates have been calculated in order to enable potential investors to assess the reasonableness of the estimates and the assumptions underlying them.

10.11.1. Digital property settlement in international markets

Frost & Sullivan estimated potential revenues for a digital property settlement platform similar to PEXA Exchange in the United Kingdom, New Zealand and the provinces of Canada with Torrens land title systems, as follows. By dividing PEXA's estimate of the total addressable market in Australia for digital property settlement of \$280 million by the average annual number of residential property transfers in Australia from 2018 to 2020 as reported by the Australian Bureau of Statistics (ABS), Frost & Sullivan calculated an average revenue per residential property transfer. For each of the international markets, Frost & Sullivan has estimated the potential digital property settlements revenue based on the calculated Australian average revenue per residential property transfer multiplied by the average annual number of residential property settlements in each market from 2018 to 2020 as reported by national statistical agencies. Note that Frost & Sullivan did not estimate residential transfer revenue and other revenue (such as refinancing revenue) separately. By using the average revenue per residential property transfer figure and the number of residential property transfers in other markets to calculate total market revenue, the estimate assumes that the ratio of residential property transfers to other property dealings is the same across the other markets as it is in Australia. The estimate also assumes that pricing for digital property settlement services in the international jurisdictions will be identical to Australia.

- United Kingdom – Frost & Sullivan estimates that the potential market size for digital property settlement in the United Kingdom is \$719 million per annum, of which \$641 million relates to England and Wales, where PEXA International plans to launch initially.
- New Zealand – Frost & Sullivan estimates that the potential market size for digital property settlement in New Zealand is \$89 million per annum.
- Canada – Frost & Sullivan estimates that the potential market size for digital property settlement in Canada (excluding the provinces of Quebec, Prince Edward Island and Newfoundland and Labrador, where Torrens title is not used) is \$234 million per annum.

10.11.2. Data services

Frost & Sullivan has estimated potential revenue in Australia for two sets of products: property data products that are comparable to or would compete with existing data services in the market ("existing data services"), and potential data products and services that PEXA or a PX Ventures business or partner may develop for which there is no comparable product currently in the market ("new data services").

Frost & Sullivan defines property data services as the supply of residential property data and information to industry participants, including estate agents, financial institutions, developers, consumers and governments, through subscriptions or one-off sales.

Frost & Sullivan has estimated the potential market size for existing data services (for example, products such as market trends and sales data, valuation data, property monitoring data) at \$410 million based on the revenues of existing providers of property data services. Approximately half of Frost & Sullivan's revenue estimate is based on the property data revenue identified in financial statements or other public disclosures of market participants. For market participants that do not disclose property data revenues, Frost & Sullivan has estimated revenues based on its estimates of market share and an assumption of comparable pricing across the industry.

Frost & Sullivan's estimates of the potential market size for products and services not currently available are inherently more uncertain. Frost & Sullivan has estimated the potential revenues in conjunction with PEXA by considering a range of potential products and services that PEXA or a PX Ventures business or partner may develop, the number and type of target clients and an estimate of the value that clients may be prepared to pay. PEXA provided Frost & Sullivan with a description of a series of potential products that it believes it may be able to develop in the future. For each product (other than valuation services), Frost & Sullivan identified potential customers (or groups of customers) for the product and estimated pricing based on an assessment of the value that the product would provide to those customers or groups of customers and their willingness and ability to pay. The estimated market size for valuation services is based on an estimate of the existing market for residential property valuation services, based on the assumption that digital valuation services will be a substitute for services within that market.

The following table summarises the target clients, the potential services and Frost & Sullivan's estimate of the potential revenue opportunity for each service.

Client Type	Service	Estimated potential market size (\$ millions)
Financial Institutions	Property ownership check	2.2
	Title search notification	1.5
	LMI mortgage discharge notification	8.6
	Marketview	9.8
	Migration data	3.8
	Refinance index	0.3
	Mortgage collateral monitor	24.5
	Propensity to refinance data	29.0
	Property research reports	0.5
	Valuation services	238.0
Estate Agents	Migration data	2.5
Consumers	Property registration certificates	22.3
Conveyancers	Insights and benchmarking	5.0
Developers	Insights and benchmarking	11.0
Total		359.0

Although Frost & Sullivan believes that the products and services identified in the table are not direct substitutes for existing products and services, it is possible that they may replace or offer overlapping benefits with existing products. Accordingly, the two estimates of market size should not be treated as cumulative.

10.12. Consents to be named and statement of disclaimer and responsibility

Each of the following parties has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to being named in this Prospectus and to the inclusion, in the form and context in which it is included, of any statement or report described below as being included with its consent:

- each of Barrenjoey Advisory Pty Limited, Macquarie Capital (Australia) Limited, Morgan Stanley Australia Securities Limited and UBS AG, Australia Branch has consented to being named in this Prospectus as Joint Lead Manager to the Offer in the form and context in which it is named;
- Allen & Overy has consented to being named in this Prospectus as the Australian and US legal adviser (other than in respect of taxation matters) to the Company and SaleCo in relation to the Offer in the form and context in which it is named;
- Ernst & Young Strategy and Transactions Limited has consented to being named in this Prospectus as the Investigating Accountant in the form and context in which it is named and to the inclusion of its Independent Limited Assurance Report on the Financial Information in Section 8 in the form and context in which it is included;
- Ernst & Young has consented to being named in this Prospectus as the auditor of Torrens Group Holdings Pty Ltd and PEAL and provider of financial and due diligence services in relation to the Offer, in the form and context in which it is named;
- BIS Oxford has consented to being named in this Prospectus in the form and context in which it is named and has given and has not withdrawn its consent to the inclusion of information from its BIS Market Report in this Prospectus in the form and context in which it is included;
- Frost & Sullivan has consented to being named in this Prospectus in the form and context in which it is named and has given and has not withdrawn its consent to the inclusion of information on potential market sizes for a range of products and services that PEXA or a PX Ventures business or partner may develop in the form and context in which it is included;
- Nature Pty Ltd has consented to being named in this Prospectus in the form and context in which it is named and has given and has not withdrawn its consent to the inclusion of market research information in this Prospectus in the form and context in which it is included; and
- Link Market Services Limited has consented to being named in this Prospectus as the Share Registry for the Company in the form and context in which it is named. Link Market Services Limited has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registry to the Company.

No entity or person referred to above has made or has purported to make any statement or representation that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. None of the entities or persons referred to above has authorised or caused the issue of this Prospectus, does not make any offer of Shares and, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statement in, or omission from, this Prospectus, other than the reference to its name and any statement or report included in this Prospectus with its consent as described above.

10.13. Non-consenting parties

The Company has included statements in this Prospectus made by, attributed to or based on statements made by the following parties:

- ARNECC, 'Government and industry partnership to develop a national interoperability specification for Australia's electronic conveyancing system', published 12 March 2021;
- Australian Bureau of Statistics, 'Residential Property Price Indexes: Eight Capital Cities, December 2020', released 16 March 2021;

- Australian Bureau of Statistics, 'Survey of Income and Housing (SIH) conducted in 2017-18', issued 12 July 2019;
- Australian Financial Review, 'The 10 most innovative technology companies', published 9 October 2020;
- CoreLogic, 'The state of stamp duty for Australian housing', published 18 December 2020;
- Customer Service Institute of Australia, '2020 Australian Service Excellence Awards Winners', published 22 October 2020;
- Good Company, 'Top 40 Best Workplaces to Give Back 2020', published 12 October 2020
- Human Resources Director (HRD), 'Australian HR Awards – second round of finalists announced' published 14 July 2020;
- Lawyer's Weekly, 'Sympli completes first financial settlement', published 12 December 2019
- PwC, 'Economic Impact of E-conveyancing', published 2015; and
- Property Council of Australia, 'Economic Significance of the Property Industry to the Australian Economy', published 20 July 2017.

The inclusion of statements made by, attributed to or based on statements made by these parties has not been consented to by the relevant party for the purpose of Section 729 of the Corporations Act and they are included in this Prospectus by us on the basis of ASIC Corporations (Consents to Statements) Instrument 2016/72 relief from the Corporations Act for statements used from books, journals or comparable publications.

10.14. Regulatory relief

10.14.1. ASIC exemptions and relief

PEXA has applied for relief under section 741(1)(a) of the Corporations Act from the application of section 707(3) of the Corporations Act to permit the "on-sale" of certain Shares offered other than under this Prospectus. The Company expects confirmation that this relief has been granted before Completion of the Offer.

10.14.2. ASX waivers

The Company has sought and obtained confirmations in respect of the following ASX Listing Rules:

- confirmation that the Company may undertake deferred and conditional settlement trading of Shares, subject to certain conditions to be approved by the ASX;
- confirmation that the Company has a structure and operations acceptable to ASX for admission to the official list for the purposes of Listing Rule 1.1 (Condition 1); and
- confirmation that the Company satisfies the requirements of ASX Listing Rule 9.2(b) Condition 12 and the requirements of mandatory escrow will not apply to the Company.

10.15. Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications under this Prospectus are governed by the laws applicable in New South Wales, Australia and each Applicant under this Prospectus submits to the exclusive jurisdiction of the courts of New South Wales, Australia.

10.16. Statement of Directors and SaleCo Directors

The issue of this Prospectus is authorised by each Director and each director of SaleCo. Each such director consents to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

11 Appendices

Appendix A – PEAL Historical Financial Information

PEAL Historical Income Statements (FY18 and FY19)

Figure 104 sets out the PEAL Historical Income Statements for FY18 and FY19.

Figure 104: PEAL Historical Income Statements (FY18 and FY19)

\$ millions		Historical	
Year ended 30 June	Note	FY18	FY19
Revenue	1	39.0	109.1
Cost of sales	2	(11.5)	(22.8)
Gross profit		27.5	86.3
Product design and development	3	(16.2)	(25.1)
Sales and marketing	4	(20.7)	(27.0)
General and administration	5	(30.1)	(89.7)
Operating expenses		(67.0)	(141.8)
EBITDA		(39.6)	(55.4)
Depreciation	6	(0.4)	(0.5)
Amortisation	7	(22.5)	(8.2)
EBIT		(62.6)	(64.2)
Net finance income/(expense)	8	2.1	3.1
Profit/(loss) before tax		(60.5)	(61.1)
Income tax benefit/(expense)	9	25.8	206.0
NPAT		(34.8)	144.8

Notes:

1. Revenue predominantly consists of revenue generated from fees for transactions on the PEXA Exchange. Revenue is recognised when performance obligations are satisfied by transferring a promised service to a customer (typically on the settlement of the property transaction).
2. Represents cost of sales incurred in providing PEXA Exchange services. The key costs of sales are lodgement support services (LSS) and title insurance fees.
3. Represents costs to develop and operate the PEXA Exchange. Key costs relate to employee benefits (including salaries, benefits, bonuses, payroll tax) and third party costs associated with product design, development and operating the PEXA Exchange.
4. Represents costs associated with marketing, onboarding, training and supporting PEXA Members. Key costs relate to employee benefits (including salaries, benefits, bonuses, payroll tax) and directly related costs associated with sales and marketing activities including the support of existing Members, acquiring new Members and growing revenue.
5. Represents costs relating to the administrative functions of the business. Key costs relate to employee benefits (including salaries, benefits, bonuses, payroll tax) for the executive team, finance, legal, people experience, risk and compliance and administration employees. These expenses also include professional fees for legal, accounting, tax and other services and occupancy, travel, administration and Board costs. In addition, the cost of close-out of the PEAL ESOP in FY19 is also included.
6. Represents depreciation on fixed assets (property, plant and equipment and leasehold improvements) and depreciation of right of use assets relating to office leaseholds.
7. Represents amortisation on PEAL's intangible assets consisting of in-house software, principally the PEXA Exchange platform.
8. Pro forma net finance income/(expense) represents interest earned from cash and cash equivalents held.
9. Income tax benefit/(expense) reported above includes both current and deferred tax benefits/(expenses). PEAL recorded a net loss before tax in FY18 and FY19 and as a result has not recorded any current tax expense. PEAL has recognised deferred tax benefits/(expenses) in relation to the recognition of deferred tax assets and liabilities.

PEAL Historical Cash Flows (FY18 and FY19)

Figure 105 sets out the PEAL Historical Cash Flows for FY18 and FY19.

Figure 105: PEAL Historical Cash Flows (FY18 and FY19)

\$ millions		Historical	
Year ended 30 June	Note	FY18	FY19
EBITDA		(39.6)	(55.4)
Non-cash items in EBITDA	1	3.2	44.1
Changes in working capital	2	(18.5)	15.5
Interest received	3	2.1	3.1
Interest paid		–	(0.0)
Lease payments	4	–	–
Operating cash flow	5	(52.8)	7.3
Acquisition of intangible assets	6	(17.6)	(21.7)
Acquisition of PP&E	7	(0.3)	(1.1)
Investment in other financial assets – Term Deposits	8	(2.2)	2.2
Free cash flow		(72.8)	(13.4)
Financing activities	9	17.4	(11.9)
Net cash flow		(55.4)	(25.2)

Notes:

1. Non-cash items in EBITDA mainly reflect non-cash expenses in relation to the historical ESOP.
2. The key drivers of changes in working capital are primarily related to movements in trade receivables, trade payables, accrued expenses and provisions.
3. Represents interest income received from cash and cash equivalents held by PEAL.
4. PEAL Historical Financial Information does not reflect the adoption of AASB 16 Leases. Lease costs are therefore included within EBITDA.
5. Operating cash flows reflect EBITDA after the removal of non-cash items in EBITDA and changes in working capital. Management uses operating cash flow as a measure to indicate the level of operating cash flow generated from EBITDA.
6. Reflects the capitalisation of expenditure on intangible software assets, including third party costs, where the expenditure is measurable and related to products which are expected to have a probable future benefit.
7. Reflects the capitalisation of fixed assets including property, plant and equipment and leasehold improvements.
8. Represents funds invested on short-term deposit for a maturity greater than three months.
9. Represents \$17.4 million of capital raised in FY18 and \$11.9 million of transaction related costs in FY19.

Appendix B – Significant accounting policies

Summary of significant accounting policies

a. Basis of preparation

The financial information has been prepared on a historical cost basis.

b. Cash and short-term deposits

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity 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.

c. Trade and other payables

Trade and other payables represent liabilities for purchases of goods and services by the Group. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are carried at amortised cost and due to their short-term nature, they are not discounted.

d. Financial instruments

i. Financial assets

Recognition and subsequent measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial assets' contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are initially measured at the transaction price determined under AASB 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest (**SPPI**) on the principal amount outstanding (apart from equity instruments which can be designated as fair value through OCI). This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Currently, the Group's business model for all financial assets is to hold in order to collect contractual cash flows. This results in the Group's principal financial assets being subsequently measured at amortised cost. These include:

- Trade and other receivables; and
- Other financial assets.

Derecognition

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or when the Group has transferred its rights to receive cash flows from the asset and has either transferred substantially all of the risks and rewards associated with the asset or control of the asset to a third party.

Impairment

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

ii. Financial liabilities

Recognition and subsequent measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or financial liabilities at amortised cost, consistent with their subsequent measurement.

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities at amortised cost, net of directly attributable transaction costs.

The Group's principal financial liabilities include trade and other payables which are measured at amortised cost. Shareholder loans entered into post the end of the reporting period will also be measured at amortised cost.

Derecognition

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred, or liabilities assumed, is recognised in profit or loss as other income or finance costs.

iii. Measurement of financial assets and liabilities at amortised cost

Financial instruments measured at amortised cost are subsequently measured using the effective interest (EIR) method. This is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

e. Property, plant and equipment

Each class of property, plant and equipment is carried at historical cost less any accumulated depreciation and impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. All other repairs and maintenance are recognised in the income statement as incurred.

As property, plant and equipment is not considered to generate independent cash flows, the carrying amount of these assets is included within the assets of the cash generating unit assessed as part of the TGH Group's impairment testing process.

Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:

Property, Plant and Equipment – over 3 to 5 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

f. Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets.

i. Right of use assets

The Group recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or estimated useful life (being between 1.25 and 8 years).

ii. Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable and amounts expected to be paid under residual value guarantees but do not include payments relating to non-lease components of the agreement. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The present value of lease payments is calculated using the interest rate implicit within the lease or, if this is not readily determinable, the Group's incremental borrowing rate (IBR). The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment.

iii. Short-term leases and leases of low value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

iv. Leases acquired in a business combination

For leases acquired in a business combination, the Group measures the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. Right-of-use assets are measured at an amount equal to lease liabilities, adjusted to reflect the favourable or unfavourable terms of the lease relative to market terms.

g. Revenue and income

i. Revenue from contracts with customers - Property Settlement Transactions (PST)

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group currently generates the majority of its revenue from PST fees collected from Subscribers for electronic conveyancing transactions completed on the PEXA Exchange. The Group recognises revenue on the day of successful settlement and lodgement of an electronic conveyancing transaction (point in time). It is only at this point that the performance obligation to provide the electronic conveyancing network is satisfied and that PEXA is entitled to collect PST fees. PST fees are collected as a disbursement of settlement funds at the time of settlement or via direct debit when the electronic conveyancing transaction does not include financial settlement. Direct debits are processed on the evening of the day of lodgement.

The Company groups its PST fees into three categories:

- **Transfer lodgements:** dealings connected to the transfer of a property title or sales transfer, and any associated discharges and mortgages in conjunction with the property transfer and other ownership transfers such as inheritance and family law matters.
- **Refinancing lodgements:** dealings connected to the refinance of a debt facility secured by a mortgage, but which are not connected to a sales transfer and involve a discharge of an existing mortgage replaced by a new mortgage.
- **Other lodgements:** other dealings lodged, either alone or together, but which are not connected to a transfer lodgement or a refinance lodgement such as a stand-alone discharge of mortgage lodged after a loan has been wholly repaid, a stand-alone mortgage lodged after a new loan is advanced, caveat-related dealings, death-related dealings, and lease-related dealings.

ii. Interest income

Interest income is recognised as interest accrues using the effective interest method.

h. Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the income statement in accordance with AASB 9. Other contingent consideration that is not within the scope of AASB 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

i. Impairment of non-financial assets

Non-financial assets other than goodwill and indefinite life intangibles are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

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 to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

j. Intangible assets

i. Initial recognition

Intangible assets are recognised when they are identifiable, it is probable that they will result in future economic benefits flowing to the Group and the cost can be measured reliably.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate probable future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

ii. Subsequent measurement

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the

expense category that is consistent with the function of the intangible assets. The table below outlines the amortisation periods and methods currently applied to the Group's finite life intangibles (which are consistent with those applied in the prior period):

	Intangible software assets and customer relationships	Operational procedures
Useful lives	15 years	3 years
Amortisation method used	Amortised over the period of expected future benefits on a straight-line basis	Amortised over the period of expected future benefits on a straight-line basis
Internally generated or acquired	Both internally generated (development costs) and acquired.	Acquired

Intangible assets with indefinite useful lives (including goodwill) are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

k. Research and development costs

Costs incurred on internal projects that do not meet the criteria outlined above for recognition as an internally generated intangible asset (development costs) are recognised as an expense in the income statement.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

l. Provisions and employee benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the provisions are not expected to be settled wholly within 12 months after the end of the annual reporting period in which the obligation arises, the liability is discounted to present value based on management's best estimate of the timing of settlement and the expenditure required to settle the liability at the reporting date.

The discount rates used to determine the present value of employee-related provisions are determined by reference to market yields at the end of the reporting period attaching to high-quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows of the related liability.

m. Contributed equity

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.

n. Income tax and other taxes

i. Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of 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 profit nor taxable profit or loss.
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that sufficient taxable temporary differences exist relating to the same taxation authority and the same taxable entity which are expected to reverse or it is probable (probable is considered as more likely than not) that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Where there is uncertainty as to the tax treatment of a particular item by tax authorities, the Group considers whether it is probable that the taxation authority will accept the uncertain tax treatment. If the Group concludes that the position is not probable of being accepted, the effect of the uncertainty is measured based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty. If the Group concludes that the position is probable of being accepted, the Group reflects amounts consistently with the treatment used or planned to be used in its income tax filings.

ii. Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

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

Cash flows are included on a net basis and the GST components of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

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

o. Cost of sales

Cost of sales primarily relates to fees paid to state land registries for property information relating to settlements. The Group incurs these expenses on a per lodgement basis in advance of when a transaction completes. Costs associated with open transactions at year end are recorded in the statement of financial position as an asset and recognised as an expense when the transaction completes.

p. Comparative figures

Where applicable, comparative amounts have been adjusted to conform to changes in presentation in the current financial year. Where applicable, presentation or classification of items in the financial information has been amended; comparative figures have been reclassified unless reclassification is impractical.

q. Principles of consolidation

The consolidated financial information comprises the assets and liabilities of all controlled entities of the Company and the results of all controlled entities for the financial year unless otherwise stated. Controlled entities are:

- all entities over which the Group 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 relevant activities of the entity; and
- fully consolidated from the date on which control is transferred to the Group, and, where applicable, deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of controlled entities, and the balances and effects of transactions between all controlled entities are eliminated in full.

r. Fair value

All assets and liabilities for which fair value is measured or disclosed in the financial information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Significant accounting judgements, estimates and assumptions

The preparation of the financial information requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial information. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

a. Significant accounting judgements

Taxation

The Group's accounting policy for taxation requires management's judgement to assess whether deferred tax assets are recognised on the statement of financial position.

Recognition of deferred tax amounts is subject to significant judgement, risk and uncertainty, particularly around the interpretation of relevant taxation law, in particular the satisfaction (or continued satisfaction) of either the continuity of ownership or same business tests. Changes in circumstances or interpretations of taxation law could alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the availability of amounts in future financial periods. Additionally, a deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future profits will be available against which the asset can be utilised.

Capitalisation of internally developed software and impairment assessments

Distinguishing between the research and development phases of a new customised software project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

Identification of Torrens Group Holdings Pty Ltd as accounting acquirer

A number of judgements are required under accounting standards when accounting for a business combination by applying the acquisition method. A key judgement is who the acquirer is that obtains control of another entity (the acquiree). In determining that the Company was the accounting acquirer in the PEXA Acquisition a number of factors were considered including the composition of the Shareholders, and Board and key management personnel of the Company post acquisition relative to those existing pre-acquisition in Property Exchange Australia Limited and PEXA SettleAssist Pty Ltd.

b. Significant accounting estimates and assumptions

Estimation of useful lives of assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment. Adjustments to useful lives are made when considered necessary.

Impairment testing of intangible assets

The Group assesses whether its intangible assets (including goodwill) are carried above their recoverable amount on an annual basis or when there are other indicators of impairment. Recoverable amount is determined as the higher of fair value less costs of disposal and value-in-use (VIU). The Group has applied a value-in-use (VIU) discounted cash flow methodology to assess recoverable amount.

Management has completed its impairment assessment based on all known facts and circumstances, incorporating its best estimates from information available at reporting date. The discounted cash flows are derived from Board approved profit and cash flow forecasts and do not include restructuring activities that the Group is not yet committed to or possible future investments. The VIU model prepared by management as part of the impairment assessment is most sensitive to the following assumptions, being forecast cash flows, discount rates and longer-term growth rates used in the VIU model.

Appendix C – Glossary

Term	Meaning
1H	Six months ended or ending 31 December
2H	Six months ended or ending 30 June
1Q	Three months ended or ending 30 September
2Q	Three months ended or ending 31 December
3Q	Three months ended or ending 31 March
4Q	Three months ended or ending 30 June
ABN	Australian Business Number
AEDT	Australian Eastern Daylight Time
AICD	Australian Institute of Company Directors
AICPA	Association of International Certified Professional Accountants
API	Application programming interface allowing third party systems/programs to integrate directly with the PEXA Exchange platform, removing the need to re-enter data manually in PEXA
Applicant	A person who submits an Application
Application	An application for Shares under this Prospectus
Application Form	The application forms attached to or accompanying this Prospectus (including the electronic application form provided by an online application facility)
Application Monies	The amount of money accompanying an Application Form submitted by an Applicant
APRA	Australian Prudential Regulation Authority
ARNECC	The Australian Registrars' National Electronic Conveyancing Council, comprising the Registrars from each State and the Northern Territory or their respective nominees, which are responsible for managing the regulatory framework for e-conveyancing in Australia.
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ASX Listing Rules	The official listing rules of the ASX
ASX CGC Recommendations	ASX Corporate Governance Council's Principles and Recommendations for Good Corporate Governance (Third Edition, 2014)

Term	Meaning
ASX Settlement Operating Rules	The rules of ASX Settlement Pty Limited (ACN 008 504 532)
ATO	Australian Taxation Office
Australian Accounting Standards or AAS	Australian Accounting Standards issued by the Australian Accounting Standards Board
Australian Accounting Standards Board or AASB	Australian Accounting Standards Board
AWS	Amazon Web Services
B2B	Business-to-business
B2C	Business-to-consumer
B2G	Business-to-government
Banking Act	Banking Act 2009 (UK)
Billable Transactions	The number of Dealings which can be effected electronically and for which an ELNO may charge a fee
BIS Oxford	BIS Oxford Economics Pty Ltd (ACN 060 358 689)
BIS Market Report	Market Report commissioned by PEXA and prepared by BIS Oxford Economics. See Important Notice and Disclaimer cautionary note regarding industry and market data
Board	The board of Directors of the Company
BoE	Bank of England
Broker	Any ASX participating organisation selected by the Joint Lead Managers and the Company to act as a broker for the Offer
Broker Firm Offer	The Offer of Shares to Australian resident retail clients of Brokers who have received a firm allocations of Shares from their Broker and are not in the United States
CAGR	Compound annual growth rate
CBA	Commonwealth Bank of Australia
CEO	Chief Executive Officer

Term	Meaning
CFO	Chief Financial Officer
CGT	Capital gains tax
Chairman	The chairman of the board of Directors of the Company
CHESS	ASX's Clearing House Electronic Subregister System operated in accordance with the Corporations Act
Closing Date	The date on which the Offer is expected to close, being 28 June 2021 in respect of the Retail Offer (this date may be varied without notice)
COAG	Council of Australian Governments
Completion	The completion of the Offer, being the date on which Shares are issued or transferred to successful Applicants in accordance with the terms of the Offer
Consideration Shares	An aggregate of \$700,000 worth of Shares to be issued to the independent non-executive Directors in consideration for services provided to the Company in preparation for, and on Completion of, the Offer, as set out in Section 6.4.1 and 7.3.3
Constitution	The constitution of PEXA
Continuing Major Shareholders	Commonwealth Bank of Australia and Link Group
Corporations Act	<i>Corporations Act 2001</i> (Cth)
CPI	Consumer price index
Customer Tools	PEXA Plus, PEXA Projects, PEXA Planner, PEXA Key and PEXA Tracker
CY	Year ended/ending 31 December (as applicable)
Dealings	Registry instruments lodged with LTOs
Director	Each of the Directors of the Company from time to time
DRP	The dividend reinvestment plan approved by the Board as described in Section 4
D&I	Diversity and Inclusion
EBIT	Earnings or losses before interest and taxation
EBITDA	Earnings or losses before interest, taxation, depreciation and amortisation
ECNL	Electronic Conveyancing National Law, as implemented by separate legislation in each State and the Northern Territory

Term	Meaning
E-conveyancing	Electronic conveyancing, involving the lodgement of documents and completion of financial settlement electronically
Electronic Lodgment Network or ELN	a network established to create and electronically lodge land registry instruments and other documents with an LTO
Electronic Lodgment Network Operator or ELNO	a person authorised by a jurisdiction to operate an Electronic Lodgment Network
Eligible Employees	Persons who are resident in Australia and are permanent full-time or permanent part-time employees of the Company or a subsidiary of the Company (including fixed term contractors employed or engaged by a member of the Group, but excluding MEP holders, casual employees and other contractors) or a subsidiary of the Company, as at 5.00pm (Melbourne time) on 31 May 2021 provided that such employees are not located in the United States
Eligible Practitioners	Practitioners registered with PEXA as at 11 June 2021, provided that such legal practitioners or conveyancers are not located in the United States
Eligible U.S. Fund Manager	A dealer or other professional fiduciary organised or incorporated in the United States that is acting for a discretionary or similar account (other than an estate or trust) held for the benefit or account of persons that are not “U.S. persons” (within the meaning of Rule 902(k) of Regulation S of the U.S. Securities Act) for which it has, and is exercising, investment discretion, within the meaning of Rule 902(k)(2)(i) of Regulation S.
ELNO Approval	The approval granted to PEXA by each of the State Registrars to operate an ELN in each State and the Northern Territory
Employee and Director Offer	The offer of Shares to Eligible Employees and Directors, made under this Prospectus
Employee Gift Offer	The offer of Shares to Gift Entitled Employees, made under this Prospectus
Ernst & Young	Ernst & Young (ABN 75 288 172 749)
Escrowed Management	Certain senior members of management who hold securities issued under the MEP which will be reclassified as Shares in connection with the unwind of the MEP
Escrowed Shares	The Shares which are subject to voluntary escrow arrangements
ESG	Environmental, social and corporate governance
ESOP	The historical employee share option plan which was modified and settled as part of PEXA's acquisition of PEAL

Term	Meaning
Existing Shareholders	The Shareholders as at the Prospectus Date
Exposure Period	The seven day period after the Prospectus Date, which may be extended by ASIC by up to a further seven days, during which an Application must not be accepted
FATA	<i>The Foreign Acquisitions and Takeovers Act 1975 (Cth)</i>
FATA Policy	The Australian Government's Foreign Investment Policy
FCA	Financial Conduct Authority
Final Price	The price per Share that successful Applicants under the Offer will pay for Shares (other than the Matching Shares and Employee Gift Offer) as determined by the bookbuild and the process set out in Section 7, denominated in Australian dollars
Financial Information	The financial information of PEXA as defined in Section 4.1 of this Prospectus
Financial Institutions	Banks and other lenders of property
FIPAA	Fellow of the Institute of Public Administration Australia
Forecast Financial Information	Statutory Forecast Financial Information and Pro Forma Forecast Financial Information
Frost & Sullivan	Frost & Sullivan Australia Pty Ltd
Frost & Sullivan Report	Report commissioned by PEXA and prepared by Frost & Sullivan. See Important Notice and Disclaimer cautionary note regarding industry and market data and Section 10.11 for Frost & Sullivan methodology
FSMA	Financial Services and Markets Act 2000 (UK)
FSRB Act	Financial Services (Banking Reform) Act 2013 (UK)
FTE	Full-time equivalent employee
FY	Financial year ended/ending 30 June (as applicable)
GDS	Government Digital Service

Term	Meaning
Gift Entitled Employees	Persons who are resident in Australia and are permanent full-time or part-time employees of the Company, or a subsidiary of the Company (including fixed term contractors employed or engaged by a member of the Group, but excluding casual employees, other contractors and employees who have participated in the MEP), as at 5.00pm (Melbourne time) on 1 January 2021, provided that they were employed on or before 1 January 2021 and remain so employed and have not given, or been given, notice to terminate employment when the Employee and Director Offer closes, which is expected to be on or around 28 June 2021 and provided that such employees are not located in the United States
Group	PEXA and its subsidiaries, including PEAL, and their businesses, as the context permits
GST	Goods and services tax
Historical Financial Information	Statutory Historical Financial Information and Pro Forma Historical Financial Information
HMLR	Her Majesty's Land Registry (UK)
HY	Half year ended 31 December
IFRS	International Financial Reporting Standards issued by the International Accounting Standards Board
Institutional Investor	An investor to whom offers or invitations in respect of Shares as part of the Institutional Offer can be made without the need for a lodged offer document or prospectus or other formality (except one with which the Company and SaleCo are willing, in their absolute discretion, to comply), including (a) in Australia to persons to whom offers or invitations in respect of Shares can be made without the need for a lodged disclosure document under Section 708 of the Corporations Act, (b) in New Zealand to persons to whom offers or invitations can be made without the need for a registered product disclosure statement under the Financial Markets Conduct Act 2013 (NZ), and (c) institutional investors in certain other jurisdictions, as agreed between the Company and the Joint Lead Managers, in each case, provided that if such person is in the United States, it is either a QIB or an Eligible U.S. Fund Manager
Institutional Offer	An offer to Institutional Investors in Australia, Belgium, Bermuda, Canada (British Columbia, Ontario and Quebec), Cayman Islands, Denmark, France, Hong Kong, Luxembourg, Malaysia, the Netherlands, New Zealand, Norway, Singapore, Switzerland, the United Kingdom and certain other jurisdictions around the world agreed between the Joint Lead Managers and the Offerors (other than the United States), made under this Prospectus and to Institutional Investors in the United States under the U.S. Institutional Offering Memorandum
IGA	Intergovernmental Agreement signed by the States and NT in 2011-12 that provided for each State and NT to implement a consistent ECNL and the establishment of ARNECC
Investigating Accountant	Ernst & Young Strategy and Transactions Limited

Term	Meaning
Independent Limited Assurance Report	The report provided by the Investigating Accountant which is presented in Section 8
IPART	Independent Pricing and Regulatory Tribunal of New South Wales
IPO	Initial public offering
IPO Implementation Deed	The deed between the Company, SaleCo and the Selling Shareholders as described in Section 9.2
IT	Information Technology
Joint Lead Managers	Barrenjoey Advisory Pty Limited, Macquarie Capital (Australia) Limited, Morgan Stanley Australia Securities Limited and UBS AG, Australia Branch
Land Titles Office	The land titles office or land titles registry of a State
Limited Parties	Each of the Joint Lead Managers and each of their respective related bodies corporate (as that term is defined in the Corporations Act) or affiliates, or any of their respective Directors, officers, employees, partners, contractors, consultants, agents, advisers or representatives
Link Group	Link Property Pty Limited
Listing	Admission of PEXA to the official list of ASX
LMI	Lenders mortgage insurance
Lodgement	Lodgement of documents/Dealings in a form that is prescribed under the legislation or approved by the relevant Registrar
LSS	Lodgement support services provided by LTOs
LTM	Last twelve months
LTO	The land titles office or land titles registry of a State
Major Shareholders	Commonwealth Bank of Australia, Link Group and Morgan Stanley Infrastructure Partners
Management Equity Plan (MEP)	The Management Equity Plan operated by PEAL, to be discontinued before Completion. See Section 6.4.8.2
Management Equity Plan holders	Means those Shareholders who have received shares under the Management Equity Plan. See Section 6.4.8.2
Matching Shares	Shares issued at no cost to Eligible Employees and non-executive Directors under the Employee and Director Offer, on the basis of one additional Share for every four Shares issued under the Employee and Director Offer

Term	Meaning
Members	Practitioners, Practitioner Firms, Financial Institutions and Other Principal Subscribers who have joined the PEXA Exchange or another ELN (as applicable)
MEP	Management Equity Plan
Model Operating Requirements or MOR	Model operating requirements developed by ARNECC which relate to the operation of an ELNO
Model Participation Rules or MPR	Model participation rules developed by ARNECC which relate to the use of an ELN by Members
MSIP	Morgan Stanley Infrastructure Partners
NA	Not available
NM	Not meaningful
NECDL	National E-conveyancing Development Limited
NECDS	National E-conveyancing Data Standard
New Banking Facilities	Represents a \$335.0 million debt facility to partially fund the repayment of shareholder loans and for future working capital loans, as summarised in Section 4.4.2 of this Prospectus
Non-Executive Directors	A Director who is not an executive manager of PEXA
NPAT	Net profit or loss after taxation
NPATA	Net profit or loss after tax and after adding back the tax-effected amortisation expense relating to acquired intangibles
NPS	Net Promotor Score, which is a measure of the percentage survey participants who indicate they would recommend a company to peers in their industry, less those who indicate they would not
NSW	New South Wales
NT	Northern Territory
Offer	The Institutional Offer and Retail Offer as described in Section 7 of this Prospectus
Offer Period	The period during which investors may subscribe for Shares under the Offer
Offer Price	\$17.13 per Share
Official List	The official list of entities that ASX has admitted to and not removed from listing

Term	Meaning
Operating Agreement	The agreement between a Registrar and an ELNO under which the Registrar grants approval to the ELNO to operate as an ELN in the relevant State or Territory
Operating Requirements	Operating requirements that ELNOS are required to comply with under the ECNL (having regard to model rules proposed by ARNECC)
Optionholding Executives	Persons who are resident in Australia and permanent full-time or permanent part-time employees of the Company, or a subsidiary of the Company in respect of whom Options have been granted or offered Options at the same time as the IPO provided that such persons are not located in the United States
Other Lodgement	Other Dealings lodged for a number of reasons including for new stand-alone mortgages, caveat-related Dealings, death-related Dealings and lease-related Dealings, when they are not otherwise lodged with a Transfer Lodgement or a Refinancing Lodgement
Other Principal Subscribers	Local councils, water authorities, property developers and State and Federal government departments, who participate in property transactions on their own behalf.
Participation Agreements	Agreements entered into between an ELNO and a Member for use of the ELNO's ELN
Participation Rules	Participation rules that users of ELNs are required to comply with under the ECNL
PEAL	Property Exchange Australia Limited (ACN 140 677 792)
PEAL Historical Financial Information	PEAL's historical consolidated income statements for FY18 and FY19 and historical consolidated cash flows for FY18 and FY19
PEXA or the Company	Torrens Group Holdings Limited (ABN 23 629 193 764) (to be renamed 'PEXA Group Limited') and the business carried out by PEXA and its subsidiaries, as the context permits
PEXA Community	Online forum designed to promote Member engagement with the PEXA Practitioner Team and other Members
PEXA Exchange	PEXA's electronic lodgment network and financial settlement platform
PEXA Exchange EBITDA	Earnings or losses before interest, taxation, depreciation and amortisation and excluding certain project and other non-PEXA Exchange costs. Management uses PEXA Exchange EBITDA to evaluate the operating performance of the core business prior to the impact of project and related expansion costs, other non-PEXA Exchange costs, the non-cash impact of depreciation and amortisation and interest and tax charges
PEXA Exchange Transactions	Transactions conducted on the PEXA Exchange

Term	Meaning
PEXA Incentive Plan	The deferred cash incentive plan operated by PEXA prior to the date of this prospectus
PEXA Offer Information Line	1800 129 431 (toll free within Australia) or +61 1800 129 431 (outside Australia)
PEXA Key	Consumer mobile application providing settlement tracking information to increase transparency for buyers and sellers and decreasing the risk of fraud by providing a mechanism to exchange financial information securely prior to settlement
PEXA Planner	Platform for financial institution and large practitioner users that provides visibility on upcoming settlements in an aggregated view, highlighting the actions required to settle on time to enable better resource and work planning
PEXA Plus	Offers dashboards to summarise activity for practitioners and offers services from third party providers such as title searches and property council certificates in New South Wales and Victoria
PEXA Practitioner Team	Team located around Australia educating Members on how to use the PEXA Exchange
PEXA Projects	Provides an efficient and simple way for property developers, large practitioner firms and panel law firms (representing developers) to manage multiple workspaces for multi-lot settlements.
PEXA Tracker	Platform for financial institutions that provides frontline staff with visibility on upcoming settlements
PEXA Workspace	Secure online environment that enables one or more Members to prepare the documents and the instructions required to execute the lodgement and settlement stages of a property transaction
PSRs	Payment Services Regulations 2017 (UK)
Practitioner Offer	The offer of Shares to Eligible Practitioners, made under this Prospectus
Practitioner Firms	Legal and conveyancing firms
Practitioners	Individual members of Practitioner Firms
Pro Forma Financial Information	Pro Forma Forecast Financial Information and Pro Forma Historical Financial Information
Pro Forma Forecast Cash Flows	Pro forma forecast consolidated cash flows for FY21 and FY22
Pro Forma Forecast Financial Information	Pro Forma Forecast Income Statements and Pro Forma Forecast Cash Flows

Term	Meaning
Pro Forma Forecast Income Statements	Pro forma forecast consolidated income statements for FY21 and FY22
Pro Forma Historical Cash Flows	Pro forma historical consolidated cash flows for FY18, FY19, FY20, 1H FY20 and 1H FY21
Pro Forma Historical Financial Information	Pro Forma Historical Income Statements, Pro Forma Historical Cash Flows and Pro Forma Historical Statement of Financial Position
Pro Forma Historical Income Statements	Pro forma historical consolidated income statements for FY18, FY19, FY20, 1H FY20 and 1H FY21
Pro Forma Historical Statement of Financial Position	Pro forma historical consolidated statement of financial position as at 31 December 2021
Prospectus	This document and any replacement or supplementary prospectus in relation to this document
Prospectus Date	The date on which a copy of this replacement Prospectus was lodged with ASIC, being 21 June 2021
QIB	A “Qualified Institutional Buyer” as defined in Rule 144A under the U.S. Securities Act
QLD	Queensland
R&D	Research and development
RBA	Reserve Bank of Australia
Refinancing Lodgement	A group of Dealings connected to discharge an existing mortgage replaced by a new mortgage
Register(s)	Each respective State’s land titles register
Registrar(s)	The Registrar of Titles, Recorder of Titles or the Registrar-General (as applicable) in respect of the relevant State or Territory
Regulation S	Means Regulation S under the U.S. Securities Act
Residential Seller Guarantee	PEXA guarantee to provide greater safeguards to residential consumers (up to \$2 million) in the case where their Practitioner uses PEXA to settle and lodge their transaction, and there is a fraudulent misdirection of funds that is unknown to the Member or customer
Retail Offer	The Broker Firm Offer, Practitioner Offer, Employee and Director Offer and Employee Gift Offer
ROMS	Revenue Office Messaging Standards

Term	Meaning
RITS	Reserve Bank Information and Transfer System
SA	South Australia
SaleCo	PEXA SaleCo Limited (ACN 650 590 131)
Selling Shareholders	Lightyear Investments B.V., a subsidiary of North Haven Infrastructure Partners II, a fund managed by Morgan Stanley Infrastructure Partners, and certain MEP Planholders who have elected to sell Shares to SaleCo for onsale under the Prospectus
Settlement	The settlement in respect of the Shares the subject of the Offer occurring under the Underwriting Agreement
SFA	Securities and Futures Act of Singapore
SFRs	Financial Markets and Insolvency (Settlement Finality) Regulations 1999 (UK)
Shareholder	The registered holder of a Share
Share Registry	Link Market Services Limited (ABN 54 083 214 537)
Shares	Fully paid ordinary shares in the capital of the Company
SOC	Service Organisational Controls
SRO	The State revenue offices of a State
State	A State of Australia
Statutory Financial Information	Statutory Forecast Financial Information and Statutory Historical Financial Information
Statutory Forecast Cash Flows	Statutory forecast consolidated cash flows for FY21 and FY22
Statutory Forecast Financial Information	Statutory Forecast Income Statements and Statutory Forecast Cash Flows
Statutory Forecast Income Statements	Statutory forecast consolidated income statements for FY21 and FY22
Statutory Historical Cash Flows	Statutory historical consolidated cash flows for FY19, FY20, 1H FY20 and 1H FY21
Statutory Historical Financial Information	Statutory Historical Income Statements, Statutory Historical Cash Flows and Statutory Historical Statement of Financial Position

Term	Meaning
Statutory Historical Income Statements	Statutory historical consolidated income statements for FY19, FY20, 1H FY20 and 1H FY21
Statutory Historical Statement of Financial Position	Statutory historical consolidated statement of financial position as at 31 December 2020
STI	Short-term incentives
Subscriber	A subscriber to the PEXA Exchange who completes property transactions on behalf of themselves or other clients using the PEXA Exchange
TAS	Tasmania
Territory	A Territory of Australia
TFN	Tax file number
Title Activity Check	A successful search of a Register by a Practitioner
Torrens Title	System of title by registration whereby interests in land are created when the relevant interest is registered on the Register
Transfer Lodgement	A group of dealings connected to the transfer of a property title
TRP	Total Remuneration Package
Underwriting Agreement	The underwriting agreement between the Joint Lead Managers, the Company and SaleCo as described in Section 9.1
U.S. Person	Has the meaning given in Rule 902(k) under Regulation S
U.S. Securities Act	U.S. Securities Act of 1993
U.S. Institutional Offering Memorandum	The offering memorandum under which the Institutional Offer will be made in the United States, which consists of this Prospectus and an offer document 'wrap'
VIC	Victoria
WA	Western Australia

Corporate Directory

Company's registered office

Torrens Group Holdings Limited (ABN 23 629 193 764)
(to be renamed 'PEXA Group Limited')

Tower 4, Level 16,
727 Collins Street, Docklands VIC 3008

SaleCo's registered office

PEXA SaleCo Limited (ACN 650 590 131)

Tower 4, Level 16,
727 Collins Street, Docklands VIC 3008

Joint Lead Managers

Barrenjoey Advisory Pty Limited

Liberty Place, Level 41,
161 Castlereagh Street, Sydney NSW 2000

Macquarie Capital (Australia) Limited

50 Martin Place,
Sydney NSW 2000

Morgan Stanley Australia Securities Limited

Level 39, Chifley Tower,
2 Chifley Square, Sydney NSW 2000

UBS AG, Australia Branch

Level 16, Chifley Tower,
2 Chifley Square, Sydney NSW 2000

Legal Adviser

Allen & Overy

Level 25, 85 Castlereagh Street,
Sydney NSW 2000

Investigating Accountant

Ernst & Young Strategy and Transactions Limited
8 Exhibition Street, Melbourne VIC 3000

Auditor

Ernst & Young

8 Exhibition Street, Melbourne VIC 3000

Share Registry

Link Market Services Limited

Level 12, 680 George Street, Sydney NSW 2000

PEXA IPO Information Line

Within Australia: 1800 129 431

Outside Australia: + 61 1800 129 431

Offer Website

www.pexa.com.au/ipo

