

PEXA GROUP LIMITED (formerly Torrens Group Holdings Limited)

APPENDIX 4E – PRELIMINARY FINAL REPORT GIVEN TO ASX UNDER LISTING RULE 4.3A FOR THE 12 MONTH PERIOD ENDED 30 JUNE 2021

Item	Contents
1	Details of the reporting period
2	Results for announcement to the market
3	Net tangible assets per security
4	Other information

1. DETAILS OF THE REPORTING PERIOD

Reporting period: 12 month period ended 30 June 2021

Previous corresponding period: 12-month period ended 30 June 2020

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Up/down	% change	2021 \$'000	2020 \$'000
Revenue from ordinary activities	Up	42%	221,046	155,587
Net Profit / (Loss) from ordinary activities after tax for the period attributable to members	Down	N/A	(11,787)	(30)
Total comprehensive income / (loss) for the period attributable to members	Down	N/A	(11,787)	(30)

Dividend: The company has not declared nor proposes to pay a dividend for the 12-month period ended June 2021.

Commentary and explanation of any of the figures reported above necessary to enable the figures to be understood: Refer the “Operating and Financial Review” section of the Directors’ Report within the attached full year Consolidated Financial Statements.

3. NET TANGIBLE ASSETS PER SECURITY

	% change	30 June 2021 dollars per security	30 June 2020 dollars per security
Net tangible assets per security	N/A	(2.95)	0.28

Net tangible assets are defined as the net assets of PEXA Group Limited (including right of use assets) less intangible assets.

A large proportion of the Group's assets are intangible in nature. These assets are excluded from the calculation of net tangible assets per security which in conjunction with the introduction of external debt and shareholder loans in the 2021 reporting period has resulted in the negative outcome shown above for the period ended 30 June 2021.

4. OTHER INFORMATION

Initial Public Offering (IPO)

On 25 February 2021, the shareholders of PEXA Group Limited (the Group, formerly Torrens Group Holdings Limited) publicly announced plans to explore the viability of an IPO. On 14 June 2021, the Group announced the lodgement of its Prospectus with the Australian Securities and Investments Commission and the Group's shares began trading on ASX on 1 July 2021, following the successful completion of the IPO.

There were multiple steps involved in the Group's IPO process, some of which occurred prior to 30 June 2021 and some after the end of the financial year. As a result, the financial statements are impacted in the current financial year by certain transactions relating to the IPO.

Note 1(b) of the attached Consolidated Financial Statements summarises these impacts on the current and subsequent financial years and the relevant notes to the financial report.

Details of associates and joint venture entities: N/A

Details of any dividend or distribution reinvestment plans in operation: N/A

Details of any entities which the Group have gained or lost control: N/A

Any other information required pursuant to ASX Listing Rule 4.3A not contained in this Appendix 4E can be found in the attached Consolidated Financial Statements and the Directors Report for the year ended 30 June 2021, ASX announcement and investor presentation lodged with this document.

This report is based on the Consolidated Financial Statements for the year ended 30 June 2021 which has been audited by Ernst & Young with the Independent Auditor's Report included in the 2021 Consolidated Financial Statements.

PEXA Group Limited (Formerly Torrens Group Holdings Limited)

ACN 629 193 764

Financial report for the
year ended 30 June 2021

PEXA Group Limited (Formerly Torrens Group Holdings Limited)

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Directors' Report

For the year ended 30 June 2021

Directors' Report

Corporate information

PEXA Group Limited (formerly Torrens Group Holdings Limited (TGH)) was incorporated on 4 October 2018. The consolidated financial statements of PEXA Group Limited (the Company) and its subsidiaries (collectively, "PEXA" or "the Group") for the year ended 30 June 2021, were authorised in accordance with a resolution of the directors on 25 August 2021.

PEXA Group Limited (the parent company) is a public company, incorporated and domiciled in Australia, and listed on the Australian Securities Exchange (ASX) under the stock ticker "PXA". A description of the Group's operations and of its principal activities is included in the Operating and Finance Review below. The Directors' report is not part of the consolidated financial report.

Directors

The Directors backgrounds and experience are listed below of those who held office during or since the end of the year. Unless otherwise stated they held office for the full year.

There were a number of changes in Directors during the year in connection with the Group's Initial Public Offering (IPO) and listing on ASX on 1 July 2021.

Mark Joiner (Independent Chairperson, appointed 3 May 2021)

Mark is an experienced director of listed companies, currently serving as a non-executive director of Latitude Group Holdings Limited (ASX: LFS) since April 2021 and Chairperson 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.

John Hawkins (Non-executive Director, appointed 4 October 2018)

John is currently one of Link Group's two nominee directors on the PEXA Board.

Prior to listing, John served as the Chair of the TGH Risk Management & Audit Committee and a member of the TGH Remuneration, Nomination & 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.

Glenn King (Managing Director and Group Chief Executive Officer (CEO), appointed 3 December 2019)

Before joining in late-2019 Glenn was a senior public servant in New South Wales (NSW) Government, including leading the Premier's Implementation Unit as Deputy Secretary of Department Premier and Cabinet, and the first CEO 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.

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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.

Kirstin Ferguson (Independent, appointed 11 June 2021)

Kirstin is an experienced director of publicly listed companies and she recently served as a non-executive director on the boards of Shopping Centres CA Australasia Property Group Ltd (ASX: SCP) (January 2015 to July 2021) and EML Payments Ltd (ASX: EML) (February 2018 to August 2021).

She currently sits on the board of 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 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.

Melanie Willis (Independent, appointed 11 June 2021)

Melanie has extensive experience as a non-executive director, including Challenger Limited (ASX: CGF) since December 2017, Southern Cross Austereo (ASX: SXL) 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.

Vivek Bhatia (Non-executive Director, appointed 11 June 2021)

Vivek is currently one of Link Group's two nominee directors on the PEXA Board.

He is the current Managing Director and Chief Executive Officer of Link Group Limited (ASX: LNK), having been appointed to this role from November 2020 (ASX: LNK).

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 postgraduate in business administration and is a CFA (ICFAI).

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Directors' Report

For the year ended 30 June 2021

Paul Rickard (Non-executive Director, appointed 11 June 2021)

Paul is currently Commonwealth Bank of Australia's nominee director on the PEXA Board.

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 (ASX: TYR) from August 2009 and WCM Global Growth Limited (ASX: WQG) from April 2017. 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.

The Directors, who also held office during the year are as follows:

- Daniel O'Neill (Resigned 18 January 2021)
- Andrew MacLachlan (Alternate Director) (Resigned 20 April 2021)
- Alan Cameron AO (Former Chairman) (Resigned 3 May 2021)
- Mark McLean (Resigned 11 June 2021)
- Tim Cooper (Resigned 11 June 2021)
- David Rajendra Singh (Appointed 18 January 2021, Resigned 11 June 2021)
- Binh Quang Tran (Alternative Director) (Appointed 8 February 2021, Resigned 11 June 2021)
- Marc Vant Noordende (Alternate Director) (Resigned 11 June 2021)
- Janine Rolfe (Director) (Resigned 11 June 2021)

Company Secretary

Ian Gilmour FGIA, FCG(CS,CGP), FAICD

Ian is an experienced Company Secretary and is currently Director and Company Secretary of Gilmour & Co Pty Ltd, a provider of company secretarial services. He is also Company Secretary of Ignite Limited (ASX:IGN), Optalert Holdings Pty Limited, Barker College Council and Sydney Institute of Marine Science. Ian was formerly director and Company Secretary of AQRB Pty Ltd (formerly Audit Quality Review Board Ltd) and Company Secretary of RedHill Education Limited (ASX: RDH), Goodman Fielder Limited (ASX: GFF) and has provided company secretarial services to a number of ASX listed companies.

Registered office

Level 16, Tower 4 727 Collins Street, Melbourne Vic 3008

Auditors

Ernst & Young 8 Exhibition Street, Melbourne Vic 3000

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Directors' Report
For the year ended 30 June 2021

Directors Meetings

The number of meetings of the Board of Directors and of each Board committee held during the financial year and the number of meetings attended by each Director were:

Director	Board of Directors ¹		Audit and Risk Committee		Remuneration, Nomination and People Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
M Joiner	2	2	-	-	-	-
J Hawkins	17	17	7	7	6	6
G King	17	17	-	-	-	-
K Ferguson	1	1	-	-	-	-
M Willis	1	1	-	-	-	-
V Bhatia	1	1	-	-	-	-
P Rickard	1	1	-	-	-	-
A Cameron	15	15	7	7	6	6
J Rolfe	16	12	7	6	6	5
M Mclean	16	16	7	7	6	6
T Cooper	16	16	7	7	6	6
D O'Neill	9	9	5	5	4	4
D Singh	7	7	2	2	2	2

¹ On 11 June 2021, PEXA Group Limited converted from a Proprietary Company to a Public Company. One Board meeting was held between this date and the end of the financial year.

Members acting on the committees of the Board are:

Audit and Risk Committee	Remuneration, Nomination and People Committee
M Willis (Chair)	K Ferguson (Chair)
M Joiner	M Joiner
J Hawkins	M Willis
K Ferguson	V Bhatia
P Rickard	

Directors Interests in Shares

Directors' relevant interests in shares of the Company (direct and indirect) as at the date of this report (25 August 2021) are detailed below.

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Directors' Report**For the year ended 30 June 2021**

Director	Ordinary Shares of the Company	Performance Rights
M Joiner	29,187	-
J Hawkins	5,837	-
G King	1,155,637	-
K Ferguson	14,593	-
M Willis	14,593	-
V Bhatia	5,837	-
P Rickard	5,837	-

Significant changes in the state of affairs and future developments**Initial Public Offering (IPO)**

On 25 February 2021, the shareholders of PEXA Group Limited (formerly Torrens Group Holdings Limited) publicly announced plans to explore the viability of an IPO. On 14 June 2021, the Group announced the lodgement of its Prospectus with the Australian Securities and Investments Commission and the Group's shares began trading on ASX on 1 July 2021, following the successful completion of the IPO.

There were multiple steps involved in the Group's IPO process, some of which occurred prior to 30 June 2021 and some after the end of the financial year. As a result, the financial statements are impacted in the current financial year by certain transactions relating to the IPO.

Refer to Note 1(b) of the financial statements that summarises these impacts on the current and subsequent financial years and the relevant notes to the financial report.

Operating and Financial Review

The purpose of this section is to:

- Provide an overview of our business model;
- Discuss the core PEXA Exchange, growth initiatives and associated risks; and
- Provide a review of the group's financial condition.

Principal Activities and PEXA Overview

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

PEXA Exchange is Australia's leading Electronic Lodgement Network. It 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 lodgement 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 (the 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.

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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.

Contractual relationships have been established with more than 160 financial institutions and over 9,400 practitioner firms across Australia, and as at 30 June 2021, the PEXA Exchange handled more than 80 per cent of all property transfers across Australia through its integrated platform. Since inception, the platform has been used to electronically lodge and settle more than 1.5 million property transfers and approximately 1.1 million mortgage refinancing settlements, with a total transaction value of more than \$1.5 trillion.

PEXA Exchange Business Model

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 anticipates that the growth in PEXA Exchange revenue in future years may be impacted by four key drivers:

- **Market volume of billable transactions:** The number of property transactions and refinancing 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.
- **Market share:** The PEXA Exchange currently captures approximately 80 per cent of all potential billable transactions in Australia. 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.
- **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.

PEXA Exchange and COVID-19

The PEXA Exchange played an important role in ensuring the property industry continued to function during multiple COVID-19 lockdowns and restrictions, 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 June 2021, the PEXA Exchange increased its transfer market share substantially in both recently mandated and non-mandated States, most notably the PEXA Exchange:

- increased market share in South Australia to 94 per cent in June 2021 (up from 24 per cent 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 62 per cent in June 2021 (up from 9 per cent in February 2020), a market that does not currently have mandated digital property settlements.

Additional Strategic Growth Initiatives

To date, PEXA has invested significantly in the PEXA Exchange and the ecosystem around it. PEXA continues to invest in further enhancing 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.

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

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- developing expertise in e-conveyancing and has created a system that appears to be unique globally;
- playing a central role in over 80 per cent 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 the future.

Proactively Managed Risks

PEXA actively identifies, assesses and manages risks consistent with its risk management framework. These processes are annually reviewed by an Independent Expert as part of PEXA's obligations as an Electronic Lodgement Network Operator (ELNO). The list below is not a comprehensive list but summarises some of PEXA's key risks and the way they are managed.

- **Evolving regulatory environment:** PEXA operates its business within a complex and evolving regulatory environment in Australia. PEXA is likely to face new and evolving regulation as it expands its products and services as well as it expands into international jurisdictions. Changes to laws and regulations, or their interpretation and application, can be unpredictable and are outside of PEXA's control.

PEXA proactively engages with its regulators across Australia and has commenced engagement in the UK. PEXA has a dedicated team led by a Chief Regulatory Officer which participates across a range of policy and implementation forums, working with regulators to identify issues and shape solutions. PEXA regularly makes formal submissions and participates in working groups to contribute and optimise outcomes for our subscribers, their clients and our shareholders.

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- **Competition, interoperability and market structure risks:** Establishing interoperability may subject PEXA to additional risks, including the risk of disruption to its normal operations through 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. It may also introduce new competition risks, systems availability and cyber security risks to PEXA. 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.

Governments in Australia are advancing a multi-year agenda to establish interoperability as a means to intensify competition. PEXA is playing a constructive role, focussed on ensuring continuity of secure and stable e-conveyancing services for our subscribers. PEXA has helped shape the model, develop the technical specifications, advised on security standards, kept industry informed and made submissions to inform on the development of the new regulatory framework.

- **IT and system security risks:** Key IT and system security risks include: 1) Cyber security and fraud; 2) Business disruption and system failures and 3) Reliance on third party technology systems and processes and IT suppliers.

PEXA has a dedicated cyber security team, led by a Chief information and Security Officer. The team provides a comprehensive security capability including a dedicated monitoring and operations centre, specification and delivery of standards and policies, specialised software and hardware, internal education, risk assessment and remediation. PEXA has business continuity and disaster recovery processes in place to mitigate the impacts of outages from PEXA suppliers or other network participants. The business continuity and disaster recovery framework are annually reviewed by an Independent Expert as part of PEXA's obligations as an ELNO. PEXA also conducts reviews of all key third party suppliers to identify key dependencies and areas of risk and where possible establishes SLA's and governance processes to mitigate the risks.

- **Financial, business, and economic risks:** Key financial, business and economic risks include: 1) Decrease in lodgements due to general economic conditions; 2) Lower-than-expected use of PEXA Exchange; 3) Growth initiatives are ineffective, difficult to implement and/or more costly than expected.

PEXA monitors property lead indicators (such as property listings and private sales / auctions) closely to ensure it can manage the future impact to property settlements. The strength of the market during recent COVID lockdowns and positive impact to PEXA noted above also limits exposure. PEXA management and Board monitor the progress of its growth initiatives with funding for future investment predicated by achieving specific milestones.

Review of Financial Conditions

Summary Income Statement A\$M; Year ended 30 June	FY21	FY20	Variance	
			\$	%
Revenue	221.0	155.6	65.4	42%
COGS ¹ + Operating Expenses	(104.1)	(97.7)	(6.4)	7%
PEXA Exchange EBITDA²	116.9	57.9	59.0	102%
Non Exchange-related costs	(22.5)	(6.2)	(16.3)	261%
EBITDA³	94.4	51.7	42.7	83%
Depreciation & Amortisation	(66.0)	(62.4)	(3.6)	6%
Net finance income / (expense)	(36.5)	1.9	(38.4)	n.m
Net Profit/(Loss) Before Tax (NPBT)	(8.1)	(8.8)	0.7	-8%
Income tax benefit / (expense)	(3.7)	8.8	(12.5)	n.m
Net Profit/(Loss) After Tax (NPAT)	(11.8)	(0.0)	(11.8)	n.m

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Notes to Summary Income Statement

1. COGS – Cost of Goods Sold.
2. PEXA Exchange EBITDA – Earnings Before Interest, Taxation, Depreciation, Amortisation and non-PEXA Exchange related costs.
3. EBITDA – Earnings Before Interest, Taxation, Depreciation and Amortisation.

Notes 2 and 3 above are 'non-IFRS financial information' presented under ASIC Regulatory Guide 230 'Disclosing non-IFRS financial information'. The Group believes this non-IFRS financial information provides useful information to users in measuring the financial performance and condition of the Group. The non-IFRS financial information does not have standardised meaning prescribed by Australia Accounting Standards.

The Group reported a statutory net loss after tax of \$11.8 million for the year ended 30 June 2021, compared to a breakeven position in the prior year.

Revenue grew 42 per cent (\$65.5 million) from the year ended 30 June 2020, which was a function of:

- 19 per cent growth in market volumes, from 3.55 million in FY20 to 4.22 million in FY21
- 11 per cent growth in market share, from 68 per cent to 79 per cent, and
- 4 per cent increase in average price per transaction, driven by CPI fee increases and positive product mix towards more multi-party transactions

Cost of goods sold and operating expenses grew by 7 per cent from FY20, including a 27 per cent (\$6.3 million) growth in cost of sales, driven by higher Exchange volumes, and a 0.2 per cent (\$0.1 million) increase in operating expenses, driven by CPI increases offset by lower sales, marketing, travel and entertainment expenses due to COVID lockdowns during FY21. This resulted in a 102 per cent (\$59.0 million) increase in PEXA Exchange EBITDA to \$116.9 million in FY21.

Non exchange-related costs are made up of project & expansion related costs and other costs not related to the Exchange. Project & expansion related costs increased from \$2.1 million to \$6.5 million as a result of increased investment in PEXA's International and Insights growth initiatives. Other non exchange-related costs increased from \$4.1 million to \$16.0 million due to \$13.9 million of incremental IPO-related costs (offer costs + Management Equity Plan (MEP) close out costs) offset by \$2.0 million lower redundancy and restructuring costs. This resulted in an 83 per cent (\$42.7 million) increase in EBITDA to \$94.4 million in FY21.

Depreciation and amortisation increased by 6 per cent (\$3.6 million) predominantly due to a \$3.2 million increase in amortisation of intangible assets (from higher levels of capitalised software development). The \$38.4 million increase in net finance expense was due to the interest charged on shareholder loans put in place in July 2020, which were subsequently repaid or converted to ordinary shares in the Group as part of the IPO process.

Capital Structure

On 31 July 2020 \$949.5 million of equity was returned to shareholders via loans, which earned interest at a rate of 4.15 per cent. As part of the listing process, these loans were repaid by a combination of cash and cash equivalents, a drawdown of new external debt, a conversion to equity (all in FY21), and from the proceeds of the IPO (on 1 July 2021). This resulted in \$193 million of shareholder loans still being in place on 30 June 2021.

Certain companies within the Group (known as the 'Obligor Group'), entered into a senior unsecured 4-year revolving debt facility of \$335 million, documented under a Syndicated Facility Agreement, on 23 June 2021. The New Banking Facilities are guaranteed by the Obligor Group and the interest on borrowings under the facility is calculated based on a margin of 1.6 per cent over BBSY.

On 29 June 2021, a \$300 million initial drawdown from the new banking facilities (less establishment fees), in conjunction with proceeds from the sale of new Shares under the Offer, was utilised to repay existing shareholder loans and pay transaction costs in relation to the Offer.

Outlook

Refer to the Additional Strategic Growth initiatives section above for information on the likely developments and future prospects of the Group. The Group also reaffirms the FY22 P&L forecasts included its recent IPO prospectus.

Dividends

No dividends were paid or declared during the year (2020: nil).

Rounding of amounts

Amounts within the directors' report have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Group under ASIC Corporations Instrument 2016/191.

Options over unissued shares

There were no options over unissued shares of the Company or its subsidiaries as at 30 June 2021 or at the date of the financial report.

During the year, on 23 July 2020 and 23 April 2021, the Group approved performance shares under a Management Equity Plan (MEP Performance Shares) to link reward more directly to the value drivers of the business.

MEP Performance Shares vested on 30 June 2021 in connection with the IPO. Refer to Note 20 to the financial statement for details of the number of MEP Performance Shares granted and vested during the year.

Matters subsequent to the end of the year

Initial Public Offering (IPO)

Refer to Note 1(b) of the financial report for disclosure of transactions occurring in connection with the IPO and ASX listing subsequent to 30 June 2021. These include the repayment of the remaining shareholder loans, issuance of new equity upon the IPO on 1 July 2021 and transaction costs incurred after the end of the period.

COVID-19

Since the balance sheet date of these accounts through to the date of this report, Australia and the rest of the world have been dealing with COVID-19. Through that period there were several restrictions implemented to varying degrees on the general public in a number of Australian States with the potential being a negative impact on property transactions that the PEXA Exchange platform facilitates.

At the date of signing this report the Group has not seen material impacts on its revenues or business. Any future restrictions may unfavourably impact the number of property transactions and correspondingly the Group's financial performance in future financial years.

No other event or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect:

- The Group's operations in future financial years;
- The results of those operations in future financial years; or
- The Group's state of affairs in future financial years.

Environmental Issues

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Indemnifying Officers

The Group has entered into Deeds of Indemnity, Insurance and Access with each of the Directors, the Chief Executive Officer and Company Secretaries. Each deed provides officers with the following:

- A right to access certain Board papers of the Group during the period of their tenure and for a period of seven years after that tenure ends
- Subject to the Corporations Act, an indemnity in respect of liability to persons other than the Group that they may incur while acting in their capacity as an officer of the Group, except where that liability involves a lack of good faith and for defending certain legal proceedings, and

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- The requirement that the Group maintain appropriate directors' and officers' liability insurance for the officer.

No liability has arisen under these indemnities as at the date of this report.

Insurance of Officers

During the financial year, Group paid a premium to insure the Directors and Officers of the Group. The terms of this policy prohibit disclosure of the premium paid.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for them or someone else or to cause detriment to the Group.

Indemnification of auditors

To the extent permitted by law, the Group has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). The indemnity does not apply to any loss arising out of any negligent, wrongful or wilful acts or omissions by the auditors. No payment has been made to indemnify Ernst & Young during or since the financial year.

Non-Audit Services

The Group may decide to employ the auditor on assignments additional to statutory audit duties where the auditor's expertise and experience with the Group is essential and will not compromise auditor independence.

Details of the amounts paid or payable to Ernst & Young for audit and assurance and non-audit services provided during the year are set out in Note 25 to the financial statements. The Board has considered the non-audit services provided during the year and is satisfied these services are compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 (Cth).

All non-audit services have been reviewed by the former TGH Risk Management & Audit Committee and the PEXA Group Audit and Risk Committee (the Committee's) to ensure they do not impact the impartiality and objectivity of the auditor. In making these assessment's the Committee's considered the significant level of transaction activity associated with the PEXA Group IPO.

None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Auditors' Independence Declaration

The auditors' independence declaration for the year ended 30 June 2021 has been received and can be found on page 12.

Proceedings on Behalf of Group

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

Signed in accordance with a resolution of the directors.



.....
Mark Joiner

Auditor's independence declaration to the Directors of PEXA Group Limited

As lead auditor for the audit of the financial report of PEXA Group Limited (formally Torrens Group Holdings Limited) for the financial year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of PEXA Group Limited and the entities it controlled during the financial year.

ERNST & YOUNG

Ernst & Young



Christopher Reid
Partner
Melbourne
25 August 2021

Consolidated Statement of Comprehensive Income

	Note	2021 \$'000	2020 \$'000
Sales	4	221,046	155,587
Cost of sales	4	(29,333)	(23,019)
Gross profit		191,713	132,568
Product development	4	(24,501)	(21,733)
Sales and marketing	4	(20,096)	(22,153)
General and administrative	4	(52,705)	(36,990)
Depreciation, amortisation and impairment	4	(64,178)	(60,675)
Depreciation of right of use assets	4,13	(1,830)	(1,716)
Profit / (Loss) before interest and tax		28,403	(10,699)
Interest income	4	650	2,502
Interest expense on loans and borrowings – related parties	18	(36,629)	-
Interest expense other		(4)	(1)
Finance costs associated with leases	13	(512)	(568)
(Loss) before income tax		(8,092)	(8,766)
Income tax (expense) / benefit	6	(3,695)	8,736
(Loss) after income tax		(11,787)	(30)
Other comprehensive income/(loss)		-	-
Total comprehensive (loss)		(11,787)	(30)
Basic earnings per share (cents)	21	(8.54)	(0.02)
Diluted earnings per share (cents)	21	(8.54)	(0.02)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

	Note	2021 \$'000	2020 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	7	51,517	70,417
Trade and other receivables	8	2,115	894
Prepayments and other assets	9	9,564	7,955
Other financial assets	10	21,451	14,168
Total Current Assets		84,647	93,434
Non-Current assets			
Property, plant and equipment	11	823	875
Intangible assets	12	1,517,259	1,558,285
Right of use assets	13	10,137	10,062
Other financial assets		250	-
Total Non-Current Assets		1,528,469	1,569,222
Total Assets		1,613,116	1,662,656
LIABILITIES			
Current liabilities			
Trade and other payables	15	49,858	30,228
Interest bearing loans and borrowings – related parties	18	192,983	-
Provisions	16	4,967	3,502
Lease liabilities	13	1,772	1,502
Total Current Liabilities		249,580	35,232
Non-Current Liabilities			
Provisions	17	592	589
Interest bearing loans and borrowings	19	297,397	-
Lease liabilities	13	9,931	9,931
Deferred tax liabilities	6d	23,824	20,480
Total Non-Current Liabilities		331,744	31,000
Total Liabilities		581,324	66,232
Net Assets		1,031,792	1,596,424
EQUITY			
Contributed equity	20	1,058,198	1,618,632
Reserves	20	7,589	-
Accumulated losses		(33,995)	(22,208)
Total equity		1,031,792	1,596,424

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

Consolidated Statement of Changes in Equity

	Contributed equity \$'000	Reserves – Share Based Payments \$'000	Accumulated losses \$'000	Total \$'000
As at 1 July 2019	1,618,632	-	(22,178)	1,596,454
Comprehensive (loss) for the year	-	-	(30)	(30)
As at 30 June 2020	1,618,632	-	(22,208)	1,596,424
Comprehensive (loss) for the year	-	-	(11,787)	(11,787)
Transactions with owners in their capacity as owners:				
Return of share capital to shareholders (Note 18)	(949,490)	-	-	(949,490)
Share based payment expense (Note 20)	-	7,589	-	7,589
Equity Issuance costs (net of tax) (Note 20)	(418)	-	-	(418)
Exercise of MEP Performance Shares (Note 20)	35,356	-	-	35,356
Conversion of shareholder loans to issued shares (Note 18)	354,118	-	-	354,118
As at 30 June 2021	1,058,198	7,589	(33,995)	1,031,792

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

Consolidated Statement of Cash Flows

		2021	2020
Consolidated Statement of Cash Flows	Note	\$'000	\$'000
Cash from operating activities:			
Receipts from customers (inclusive of GST)		241,929	171,615
Interest received		650	2,502
Payments to suppliers and employees (inclusive of GST)		(129,116)	(125,185)
Interest paid on Shareholder loans / lease liabilities		(4,179)	(568)
Net cash flows from operating activities	7	109,284	48,364
Cash flows from investing activities:			
Development of intangible assets	12	(22,601)	(18,877)
Purchase of property, plant and equipment	11	(498)	(244)
Investments in other financial assets		(250)	-
Net cash flows (used in) investing activities		(23,349)	(19,121)
Cash flows from financing activities:			
Payment of equity issuance costs		(598)	-
Repayment of shareholder loans	18	(400,000)	-
Proceeds from borrowings	19	300,000	-
Payment of borrowing costs	19	(2,603)	-
Payment of principal portion of lease liabilities	13	(1,634)	(1,397)
Net cash flows (used in) financing activities		(104,835)	(1,397)
Net (decrease) / increase in cash and cash equivalents held		(18,900)	27,846
Cash and cash equivalents at beginning of financial year		70,417	42,571
Cash and cash equivalents at the end of the financial year	7	51,517	70,417

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

Notes to the Financial Report

1. Corporate information

(a) Reporting entity

The consolidated financial statements (the financial statements) comprise that of PEXA Group Limited and its subsidiaries (the Group) for the year ended 30 June 2021. They were authorised for issue in accordance with a resolution of the Directors on 25 August 2021. The Directors have the power to amend and reissue the financial statements.

(b) Initial public offering (IPO) and listing on the Australian Stock Exchange (ASX)

The Group's shares began trading on the ASX on 1 July 2021, following the successful completion of an IPO under the code PXA.

There were multiple steps involved in the Group's listing process, some of which occurred prior to 30 June 2021 and some after the end of the financial year on 1 July 2021.

As a result, the statement of financial position and statement of comprehensive income are impacted in the current financial year by certain transactions relating to the IPO. The table below summarises these impacts on the current and subsequent financial years and the relevant notes to the financial report:

Item	Description	Note(s)
Partial repayment and conversion of shareholder loans	During the year ended 30 June 2021 and as detailed in Note 18, issued capital was converted to shareholder loans. Prior to 30 June 2021, \$789.5 million of existing shareholder loans were either repaid or converted to ordinary shares in the Group. The remaining outstanding balance at 30 June 2021 of \$193.0 million was repaid on 1 July 2021 from the proceeds of new equity issued upon IPO.	18
Establishment of syndicated debt facility	On 29 June 2021, a \$300.0 million initial drawdown was made from a new syndicated debt facility. This was in part utilised to repay existing shareholder loans (see above) and pay transaction costs in relation to the Offer.	19
Management Equity Plan Settlement	On 30 June 2021, MEP Performance Shares held by employees vested and were exercised. This resulted in a total of 6,037,789 PEXA Group ordinary shares being issued at a value of \$17.13 per share. Limited recourse loans owed by employees associated with the MEP Performance Shares were also settled.	20
Transaction costs	Prior to and post 30 June 2021, certain transaction costs were incurred in connection with the IPO. Amounts relating directly to the issue of new equity upon conversion of the shareholder loans were recognised as a reduction in equity. Other amounts were expensed or to the extent they related to the new equity issued upon the ASX listing on 1 July 2021, were recorded in other assets (to be deducted from equity on 1 July 2021). Certain other transaction cost amounts, including \$27.4 million of fees that became payable to the Joint Lead Managers of the IPO, were incurred on or after the successful completion of the IPO on 1 July 2021 and are not recognised as at 30 June 2021.	4 20
New equity issued upon IPO	Upon listing on the ASX on 1 July 2021, a further 12,608,436 ordinary shares were issued at \$17.13 per share to new and existing shareholders. The Company received proceeds of \$214.7 million as a result of the IPO (before repayment of outstanding shareholder loans of \$193.0 million and underwriting & management fees of \$20.1 million for IPO Joint Lead Managers).	-

2. Summary of significant accounting policies

(a) Basis of preparation and statement of compliance

(i) Statement of compliance

This financial report is a general-purpose financial report, for a 'for-profit' entity, which has been prepared in accordance with Australian Accounting Standards, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial statements also comply with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Australian Dollars.

(ii) Rounding

Amounts within this report have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Group under ASIC Corporations Instrument 2016/191.

(b) Going concern

The financial statements have been prepared on the basis that the Group is a going concern, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. In concluding that the going concern basis of preparation was appropriate the Group considered the following factors:

- While the Group incurred a loss after tax of \$11.8 million for the year ended 30 June 2021 (2020: loss of \$0.03 million), the Group continues to grow revenue and operating cash flows, with positive operating cash inflows from operating activities of \$109.3 million for the year ended 30 June 2021 (2020: net inflow of \$48.4 million).
- The Group has noted a material increase in transactions through the PEXA Exchange and it has also experienced an increase in the number of subscribers on the PEXA Exchange comprising financial institutions and practitioners.
- At 30 June 2021, the net current asset deficiency of \$164.9 million (current liabilities greater than current assets) (2020: net current surplus of \$59.2 million) was primarily due to the shareholder loan of \$193.0 million being classified as current. This amount was classified as current due to an agreement for it to be repaid in full from the proceeds of the IPO on 1 July 2021 thereby removing the net current deficiency.
- The Group has access to available external borrowing facilities (see note 19) of \$35 million at balance date and outstanding amounts drawn down of \$300 million are not due for repayment until 29 June 2025. The Company also received proceeds of \$214.7 million as a result of the IPO (before repayment of outstanding shareholder loans of \$193.0 million and underwriting & management fees of \$20.1 million for IPO Joint Lead Managers).
- The operations of the Group are subject to risks due to the product development activities of the Group and the risks inherent in the commercialisation of the PEXA platform.

Whilst the directors are aware of these factors above, they are satisfied that the going concern basis remains appropriate and the company will be able to meet any ongoing obligations.

(c) New Accounting Standards and Interpretations

(i) Adoption of new accounting standards effective this year

There were no new accounting standards adopted during the year that had a material impact on the Group's financial statements.

(ii) Other standards issued but not yet effective / adopted and other potential accounting policy changes

IFRIC agenda decision - Configuration or Customisation Costs in a Cloud Computing Arrangement

In April 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision for configuration and customisation costs incurred related to implementing Software as a Service (SaaS) arrangements. In summary, an entity should evaluate whether a cloud computing arrangement provides the customer a resource that it can control and an entity should expense the costs of configuring or customising the supplier's application software where control is not obtained.

The Group is currently assessing the impact of the agenda decision on its current accounting policy and the process to quantify the impact of the decision is ongoing. However, the Group expects the interpretation will not have a material impact on the Group's financial statements as the Group owns the intellectual property of the PEXA Exchange, having engaged third party development vendors as contractors through development of the PEXA Exchange and not service providers. The PEXA Group therefore controls its material software assets and capitalised costs.

The Group has considered other accounting standards, amendments and interpretations that have been issued and will be applicable in future periods, however their impact is not considered material to the Group.

(d) 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.

(e) 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.

(f) 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 asset's 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 as disclosed in Note 2(i).

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:

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For the year ended 30 June 2021

- 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. Refer to Note 8 for further details of the Group's approach to recognising ECL's on trade receivables.

(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 at 30 June 2021 include external and shareholder loans, trade and other payables which are 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.

(g) 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 Statement of Comprehensive Income 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 Group's impairment testing process as outlined in Note 2 (k).

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

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The asset's 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 assets 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 Statement of Comprehensive Income.

(h) 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 0.25 and 5.5 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.

(i) 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 are 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.

PEXA 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 standalone discharge of mortgage lodged after a loan has been wholly repaid), a standalone 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.

(j) 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 statement of profit or loss 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.

(k) 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.

(l) 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 statement of profit or loss 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):

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	<i>Intangible software assets and customer relationships</i>	<i>Operational procedures</i>
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 (refer Note 2(k)). 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 statement of profit or loss.

(m) Research and development costs

Costs incurred on internal projects that do not meet the criteria outlined in Note 2(l)(i) above for recognition as an internally generated intangible asset (development costs) are recognised as an expense in profit or loss.

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 Statement of Comprehensive Income when the asset is derecognised.

(n) 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.

(o) Share-based payments transactions

Certain employees (including senior executives) of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model often with the assistance of external experts, further details of which are given in Note 20.

That cost is recognised in employee benefits expense, together with a corresponding increase in equity (share-based payments reserve), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of comprehensive income for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

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Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood and probability of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for the increase in fair value over the original grant date fair value.

Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

Cash-settled transactions

If a share-based payment transaction is expected to be settled by way of cash, a liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in share based payments expense. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The approach used to account for vesting conditions when measuring equity-settled transactions also applies to cash-settled transactions.

Transactions with cash and equity settlement alternatives

The Group's share-based payment plans during the year ended 30 June 2021 had both cash and equity settlement alternatives. Where the settlement method is contingent on the occurrence of certain events which are outside the control of the Group (for example a change in control of the Group), the relevant share based payment plan will be accounted for as either cash or equity settled based on the most probable vesting method at the grant date and reassessed at each reporting date, taking into account the facts and circumstances that exist at that time. Refer to Note 3 for discussion of considerations and judgements relevant to the settlement method accounting for the Management Equity Plan.

Where a share based payment is initially accounted for as equity settled at the grant date and in a subsequent period the expected settlement method changes to cash, the fair value of the liability to settle in cash at the date of the change in settlement expectations is recognised in equity to the extent the vesting period has expired. In subsequent periods the fair value of the liability is accounted for in accordance with the Group's policy on cash settled transactions.

(p) Interest-bearing loans and borrowings

All loans and borrowings are initially measured at fair value plus or minus transaction costs that are directly attributable. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

Interest bearing loans and borrowings are classified as non-current liabilities when the Group has an unconditional right to defer settlement for at least twelve months from reporting date.

Borrowing costs

All borrowing costs are expensed in the period they occur apart from where they directly relate to the raising of qualifying assets. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

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(q) 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.

(r) 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 Statement of Comprehensive Income.

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.

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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 in the Statement of Cash Flows on a net basis and the GST component 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.

(s) 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.

(t) 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 statements has been amended, comparative figures have been reclassified unless reclassification is impractical.

(u) Principles of consolidation

These consolidated financial statements comprise the assets and liabilities of all controlled entities of PEXA Group Limited at 30 June 2021 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 as 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.

(v) Fair value

All assets and liabilities for which fair value is measured or disclosed in the financial statements 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:

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- 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

3. Significant Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. 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 result 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.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

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. As detailed in Note 6(d), at 30 June 2021 the Group has recognised deferred tax assets of \$141.8 million primarily relating to carry forward tax losses.

Recognition of deferred tax amounts are 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 as discussed in Note 2(l)(i) 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.

Recognition of transaction costs relating to the issuance of shares

Transaction costs were incurred in connection with the PEXA Group's IPO. Where costs related jointly to one or more transactions, judgement has been used to allocate and deduct these costs from equity based on the proportion of new shares issued to existing shares. Remaining transaction costs will be recognised within profit and loss.

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.

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Settlement method and valuation of the Management Equity Plan

As detailed in Note 20, during the year ended 30 June 2021, the Group approved a limited recourse loan funded Share based incentive plan (MEP) to link remuneration rewards more directly to the value drivers of the business. As part of the IPO process, MEP Performance Shares vested and were converted to Ordinary Shares on 29 June 2021.

Estimating the fair value for share-based payment transactions requires determination of the most appropriate valuation model which, for equity settled plans, depends on the terms and conditions of the grant at grant date. This estimate also required determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. Different inputs and assumptions may lead to different determinations of fair value. The valuation method applied by the Group and key estimates and assumptions is detailed in Note 20.

Impairment testing of intangible assets (including goodwill)

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 (FVLCD) and value-in-use (VIU). The Group completes its impairment assessment based on all known facts and circumstances, incorporating its best estimates from information available at reporting date.

For the year ended 30 June 2020, the Group applied a value-in-use (VIU) discounted cash flow methodology to assess recoverable amount. However, as at 30 June 2021, due to the timing of the IPO and ASX listing, the Group considers sufficient evidence has been provided by the IPO transaction prices. This transaction involved external market participants and therefore a FVLCD approach has been adopted.

Given the best evidence of an asset's FVLCD is a price in a binding sale agreement in an arm's length transaction, the Group considers the use of the IPO transaction price as appropriate for assessing recoverable amount at 30 June 2021. Refer to Note 12 for further information.

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4. Revenue, Income and Expenses

	2021 \$'000	2020 \$'000
Revenue from contracts with customers		
Transfers	178,911	119,087
Refinances	30,026	26,774
Other Exchange Transactions	9,699	7,760
Other Products	2,410	1,966
Total revenue from contracts with customers	221,046	155,587
Interest income	650	2,502
Cost of sales	(29,333)	(23,019)
Product development expenses¹		
Employee benefit expenses ²	(9,501)	(7,813)
IT and technology costs	(15,000)	(13,920)
	(24,501)	(21,733)
Sales and marketing expenses		
Employee benefit expenses ²	(17,076)	(18,006)
Travel and entertainment	(777)	(1,877)
Sales and marketing	(2,243)	(2,271)
	(20,096)	(22,154)
General and administrative expenses		
Employee benefit expenses ²	(24,022)	(23,949)
Share based payment expense - MEP (Note 20(b)) ²	(6,267)	-
Employee & Director incentive shares ²	(1,322)	-
Professional fees	(8,326)	(6,364)
Occupancy expenses	(611)	(942)
Transaction costs associated with IPO (excluding Employee benefit costs)	(6,470)	-
Other ³	(5,687)	(5,735)
	(52,705)	(36,990)
Depreciation, amortisation and impairment		
Depreciation of property, plant and equipment	550	648
Loss on sale of property, plant and equipment	1	-
Amortisation of Intangibles	63,308	60,027
Write off of intangible asset	319	-
	64,178	60,675
Depreciation of right of use assets	1,830	1,716

- Product development expenses relate to amounts incurred on development of the PEXA Exchange software that did not meet the Group's criteria for capitalisation as an intangible asset.
- Total employee benefits expense for the year was \$58.2 million (30 June 2020: \$49.8 million), inclusive of \$6.3 million of share-based payments and \$1 million employee benefit transaction costs associated with the IPO.
- Other is predominantly administration expenses.

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The Group has one operating segment, being the Australian Electronic Lodgement Network (ELN) and financial settlement platform (together the PEXA Exchange) which operates in the electronic conveyancing market. The PEXA Exchange facilitates the collaboration between subscribers ("Members") across the property ecosystem to enable the transfer and settlement of transactions in real property.

Target customers are members who execute PEXA Lodgement and Settlement Services Transactions. These include financial institutions lending funds for property purchases and refinances, practitioners representing individual buyers and sellers and property developers. Members pay fees for each PEXA Exchange Transaction lodged via the PEXA Exchange. The price PEXA charges for these services is regulated and price increases are capped.

No other segments have been identified by the Group as costs incurred relating to other potential markets and projects are preliminary in nature. The Group does not currently generate revenues from transactions with a single external customer for amounts equal to or greater than 10% of total revenue.

A segment statement of comprehensive income is presented to the Chief Operating Decision Makers (CODMs) (being the Chief Executive Officer and Chief Financial Officer) on a monthly basis to aid decision making around resource allocation and performance assessment.

Segment performance is evaluated based on PEXA Exchange Earnings before Interest, Tax, Depreciation and Amortisation (PEXA Exchange EBITDA), which is a non-IFRS measure. PEXA Exchange EBITDA is calculated as statutory net profit adjusted for interest, tax, depreciation, amortisation and certain other costs not relating to the PEXA Exchange segment (such as project and business expansion related costs). The measure is reported to the CODMs so that the operational performance of the PEXA Exchange segment can be managed and monitored on a regular basis.

(a) Segment results

The segment financial information provided to the Chief Operating Decision Makers is set out below.

PEXA Exchange segment	2021	2020
	\$'000	\$'000
PEXA Exchange platform revenues	219,693	154,346
Other	1,353	1,241
Total segment revenue	221,046	155,587
Cost of sales	(29,333)	(23,019)
Gross Margin	191,713	132,568
Resource costs	(45,777)	(48,339)
Other operating expenses	(29,000)	(26,302)
PEXA Exchange EBITDA	116,936	57,927

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(b) Reconciliation of PEXA Exchange EBITDA to net profit before tax

	2021	2020
	\$'000	\$'000
PEXA Exchange EBITDA	116,936	57,927
<i>Project and expansion related costs</i>		
International expansion	(4,555)	(1,176)
Data	(1,971)	(805)
Other projects	-	(159)
<i>Non segment resource related costs</i>		
Redundancy and Restructure	(393)	(3,562)
Transactions costs associated with IPO	(8,192)	-
Share based payment expense - MEP	(6,267)	-
Other professional fees	(1,147)	(532)
EBITDA¹	94,411	51,693
Depreciation, amortisation and impairment	(66,008)	(62,392)
Interest net - (expense) / income	(36,495)	1,933
Statutory net (loss) before tax	(8,092)	(8,766)

1. EBITDA represents statutory net profit before Interest, Tax, Depreciation and Amortisation and is a non-IFRS measure.

(c) Segment assets and liabilities

Assets and liabilities of the Group are considered to relate to the PEXA Exchange Segment

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6. Income Tax

(a) Income tax (expense) / benefit

The major components of income tax (expense) / benefit are:

	2021	2020
	\$'000	\$'000
<i>Current income tax</i>		
Current income tax charge	-	-
<i>Deferred income expense</i>		
Relating to deferred tax on temporary differences	(13,811)	(16,303)
Research and Development Tax credits	(501)	-
Adjustment in respect of prior years	129	-
Recognition of current period tax losses and tax credits carried forward	10,488	25,039
Income tax (expense) / benefit reported in the Statement of Comprehensive Income	(3,695)	8,736

(b) Reconciliation between accounting loss before tax and income tax (expense) / benefit recognised in the statement of comprehensive income

A reconciliation between tax (expense) / benefit and the accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows:

	2021	2020
	\$'000	\$'000
Accounting loss before tax	(8,092)	(8,766)
Benefit at the Group's statutory tax rate of 30% (2020: 30%)	2,428	2,630
<i>Adjustments in respect of current income tax</i>		
Expenditure (not allowable)	(5,252)	(334)
Relating to deferred tax adjustment on in-house software ¹	-	5,154
Adjustment in respect of prior years	129	-
Adjustments in respect of management equity plan	(995)	-
Relating to other adjustments	(5)	1,286
Income tax (expense) / benefit	(3,695)	8,736

- At the completion of the 30 June 2019 tax provision the Company claimed a reduced depreciation on software than eligible under legislatively set depreciation rates. In the year ended 30 June 2020, the Company revised its position and claimed the full eligible software depreciation amount in the final lodged 2019 income tax return, resulting in an adjustment through tax expense.

(c) Amounts recognised directly in equity / balance sheet

Aggregate current and deferred tax arising in the reporting period, not recognised in net profit or loss but directly debited or credited to equity / balance sheet.

The Group incurred various transaction costs in relation to the IPO, of which certain costs were capitalised to the balance sheet as equity or prepayments (on the basis that the listing occurred on 1 July 2021). In the current year, the portion of those expenses that related to the issuing of new shares were recognised directly in equity.

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The balance of these costs that related to the issuing of new shares on listing (i.e. after year-end) were recognised directly as prepayments. The remaining transaction costs are recognised immediately in the statement of profit and loss and comprehensive income.

	2021	2020
	\$'000	\$'000
Net deferred tax - (credited) directly to prepayments ¹	(171)	-
Net deferred tax - (credited) directly to share issuance reserve	(179)	-
Total	(350)	-

¹ Deferred tax on transaction costs that will be reclassified to equity post year end.

(d) Deferred tax balances

Deferred tax balances are offset in the Consolidated Statement of Financial Position as the Group has a legally enforceable right to set off deferred tax assets and deferred tax liabilities as they relate to income taxes levied by the same tax authority. The gross deferred tax balances are shown below:

	Consolidated statement of financial position		Consolidated statement of profit or loss	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
<i>Deferred Tax Liabilities</i>				
Intangible Assets	(165,622)	(149,485)	(16,137)	(12,088)
<i>Deferred Tax Assets</i>				
Transaction costs	10,731	12,938	(2,207)	(3,808)
Provisions and accruals	8,163	4,166	3,997	(407)
Carry forward tax losses and tax credits	122,904	111,901	11,002	25,039
Total Deferred Tax Assets	141,798	129,005	12,792	20,824
Net deferred (tax liabilities) / deferred tax benefit	(23,824)	(20,480)	(3,345)	8,736

(e) Members of the tax consolidated group

(i) Members of the tax consolidated group and the tax sharing arrangement

PEXA Group Limited and its 100% owned Australian resident subsidiaries have formed a tax consolidated group with effect from 18 December 2018. Property Exchange Australia Limited and PEXA SettleAssist Pty Ltd joined the tax consolidated group on 16 January 2019 post their acquisition by PEXA Group Limited. PEXA Group Limited is the head entity of the tax consolidated group. Members of the tax consolidated group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

(ii) Tax effect accounting by members of the tax consolidated group (AASB Interpretation 1052 Tax Consolidation Accounting):

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 Income Taxes. The nature of the tax funding agreement is discussed further below.

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and the deferred tax assets arising from carry forward tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

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Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement requires payments to/from the head entity to be recognised via an inter-entity receivable (payable) which is at call.

The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

7. Current Assets – Cash and Cash Equivalents

	2021	2020
	\$'000	\$'000
Cash at bank and on hand	51,517	50,417
Short-term deposits	-	20,000
	51,517	70,417

Reconciliation of profit for the year to net cash inflow from operating activities

	2021	2020
	\$'000	\$'000
(Loss) after income tax	(11,787)	(30)
<i>Adjustments for:</i>		
Non-cash items		
Depreciation and amortisation	65,689	62,392
Management executive plan	6,267	-
Remuneration cost of issuing Directors / Employee shares	1,322	-
Impairment of intangibles	319	-
Capitalised interest on shareholder loans	32,966	-
Income tax expense / (benefit)	3,695	(8,736)
Change in operating assets and liabilities:		
(Increase) in receivables	(1,222)	(458)
(Increase) in prepayments	(1,780)	(1,982)
Increase / (decrease) in payables	12,348	(3,296)
Increase in provisions	1,467	474
Net cash inflows from operating activities	109,284	48,364

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8. Current Assets – Trade and Other Receivables

	2021	2020
	\$'000	\$'000
Trade receivables from contracts with customers	1,223	556
Rental bonds	203	203
Other receivables	689	135
	2,115	894

A provision for impairment of trade receivables is made based on applying a simplified approach in calculating the expected credit losses (ECL). Therefore, the Group does not track changes in credit risk, but instead recognises an ECL allowance based on the lifetime ECL at each reporting date. The Group's provisioning methodology is based on its historical credit loss experience, adjusted for forward looking factors specific to the economic environment. Given PST fees from transactions on the PEXA exchange are collected via direct debit from settlement proceeds the Group has no history of credit losses and does not expect this to change in the future. Accordingly, the allowance for ECLs at 30 June 2021 was nil (30 June 2020: nil).

9. Current Assets – Prepayments and Other Assets

	2021	2020
	\$'000	\$'000
Prepaid insurance	2,058	2,662
Prepaid software licensing and support	2,346	2,386
Prepaid land registry fees - lodgement support services	1,821	1,256
Prepaid ASX listing fees	1,393	-
Other prepayments	1,547	1,651
Other assets ¹	399	-
	9,564	7,955

1. Other assets represent costs incurred prior to 30 June 2021 (net of tax) that are directly attributable to the IPO and ASX listing. They were subsequently recognised as a deduction against equity on 1 July 2021 contemporaneously with the issuance of new equity on that date.

10. Current Assets – Financial Assets

	2021	2020
	\$'000	\$'000
Other financial assets	21,451	14,168
	21,451	14,168

Other financial assets represent lodgement fees that the Group has collected in cash on behalf of the state-based Land Title Registries. These funds are also shown as a payable in trade and other payables (refer Note 15) and are passed on to the Land Title Registries within 3 business days of lodgement. The funds are held in separate bank accounts and are not available for use by the Group.

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11. Non-Current Asset – Property, Plant and Equipment

Reconciliation of carrying amounts at the beginning and end of the year

	Furniture, and fittings \$'000	Office and computer equipment \$'000	Total \$'000
Cost			
At 1 July 2019	158	1,401	1,559
Additions	-	244	244
At 30 June 2020	158	1,645	1,803
Additions	19	479	498
Disposals	-	(15)	(15)
At 30 June 2021	177	2,109	2,286
Depreciation and Impairment			
At 1 July 2019	(23)	(257)	(280)
Depreciation charge for the period	(38)	(610)	(648)
At 30 June 2020	(61)	(867)	(928)
Depreciation charge for the year	(37)	(513)	(550)
Disposals	-	15	15
At 30 June 2021	(98)	(1,365)	(1,463)
Net book value			
At 30 June 2020	97	778	875
At 30 June 2021	79	744	823

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12. Non-Current Assets – Intangible Assets

	Goodwill \$'000	Intangible Software Assets \$'000	Operational Procedures \$'000	Customer Relationships \$'000	Brand \$'000	Licenses \$'000	Total \$'000
Cost							
At 1 July 2019	693,551	493,113	1,871	397,451	23,660	14,959	1,624,605
Additions	-	18,877	-	-	-	-	18,877
At 30 June 2020	693,551	511,990	1,871	397,451	23,660	14,959	1,643,482
Additions	-	22,601	-	-	-	-	22,601
Write off of intangible asset		(342)					(342)
At 30 June 2021	693,551	534,249	1,871	397,451	23,660	14,959	1,665,741
Amortisation and impairment							
At 1 July 2019	-	(12,910)	(282)	(11,978)	-	-	(25,170)
Amortisation	-	(32,854)	(631)	(26,542)	-	-	(60,027)
At 30 June 2020	-	(45,764)	(913)	(38,520)	-	-	(85,197)
Amortisation	-	(36,187)	(624)	(26,497)	-	-	(63,308)
Write off of intangible asset	-	23	-	-	-	-	23
At 30 June 2021	-	(81,928)	(1,537)	(65,017)	-	-	(148,482)
Net book value							
At 30 June 2020	693,551	466,226	958	358,931	23,660	14,959	1,558,285
At 30 June 2021	693,551	452,321	334	332,434	23,660	14,959	1,517,259

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(a) Intangible Assets

The Group's intangible software asset consists of acquired intangibles and capitalised "in house" software development costs.

Amortisation and useful life of intangible assets

Where applicable, intangible assets are amortised over the period of expected future benefits (useful life) on a straight-line basis. The useful lives of the Group's intangibles assets are set out below:

Goodwill	Indefinite life
Intangible software assets and customer relationships	15 year useful life
Operational procedures	3 year useful life
PEXA Brand	Indefinite life
Licences	Indefinite life

As identified in the table above, the PEXA Brand and Licences have been assessed as having indefinite useful lives and are not amortised. The Group has considered the following factors in making this assessment:

- (a) **PEXA Brand:** The Group expects this use this indefinitely and expects any hypothetical acquirer would continue to utilise the brand.
- (b) **Licences:** These represent licences from the e-conveyancing regulator and are critical to the operations of the business. Accordingly, management intends to continually renew these licenses.

No impairments were identified in the year ended 30 June 2021 (2020: nil).

(b) Impairment testing

Background

The Group determines whether its intangible assets (including goodwill) are carried above recoverable amount on an annual basis. Intangible assets (including goodwill) are allocated to the PEXA Exchange Cash Generating Unit (CGU) for the purposes of impairment testing. The PEXA Exchange CGU, which is also an operating and reportable segment (refer Note 5), is the smallest identifiable group of assets that generate largely independent cash inflows.

30 June 2021 assessment

As detailed in Note 3, the Group has previously estimated recoverable amount using a value-in-use (VIU) discounted cash flow methodology. Refer below for details of the VIU assessment for the year ended 30 June 2020.

As at 30 June 2021, a fair value less costs of disposal (FVLCD) approach has been adopted. Given the best evidence of an asset's FVLCD is a price in a binding sale agreement in an arm's length transaction, the Group considers the use of the IPO transaction price, in which equity in the Group was purchased by external market participants, as appropriate for assessing the recoverable amount of the PEXA Exchange CGU. The Group was listed on the stock exchange on 1 July 2021 (one day after 30 June 2021) with a market capitalisation of \$3.0 billion, as compared to the carrying value of the PEXA Exchange CGU at 30 June 2021 of \$1.5 billion.

Furthermore, the Group has continued to track lead indicators (state-by-state property listing and sales information plus PEXA Exchange workspace invitations) particularly during the current COVID-19 impacted environment. This allows management to monitor the drivers of future property transfers which could impact future revenue and business value. Currently there are no trends which indicate a material slowdown in volumes.

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Notes to the Financial Report**For the year ended 30 June 2021****30 June 2020 assessment**

For the year ended 30 June 2020, the Group applied a value-in-use (VIU) discounted cash flow methodology to assess recoverable amount. Key inputs and assumptions to the VIU calculation are outlined below.

Key inputs and assumptions

The table below summarises key assumptions used in the VIU model. Further information on how these were determined is contained below.

	2020
Nominal discount rate (pre-tax)	11.40%
Terminal growth rate	2.50%
Forecast cash flows	5 Years

Discount rates

The discount rate is calculated based on the Group's estimated weighted average cost of capital, with reference to the estimated cost of interest-bearing borrowings and estimated cost of equity which is derived from external sources of information and the Group's target debt to equity mix.

Forecast cash flows

Forecast 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. In developing these cash flows, management assumed that market penetration in states that electronic lodgement is mandated such as Victoria, New South Wales and Western Australia will remain stable and strong while market penetration in non-mandated states such as South Australia and Queensland will continue to grow in line with historical trends. At the time of forecast / impairment model preparation, no material competition existed in the marketplace nor was competition assumed.

Price assumptions are based on current regulated prices under the Model Operating Requirements (MOR) as set and governed by the regulator. Estimated price increases are based on the consumer price index.

A terminal growth rate is applied to the last year of forecast cash flows to derive a terminal value for the VIU calculation.

Growth rate estimates

Rates are based on published government long term economic growth rates and expected industry growth rates.

Sensitivity considerations

Sensitivities to the key assumptions within the VIU calculation were also tested. The table below sets out the change in an individual key assumption that would result in the recoverable amount determined by the VIU assessment being approximately equal to the carrying value of the PEXA Exchange CGU.

Change in assumption resulting in recoverable amount being equivalent to carrying value	2020
Nominal discount rate (pre-tax)	0.30%
Terminal growth rate	(0.40%)
Forecast cash flow input to terminal value calculation	(4.50%)

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Notes to the Financial Report**For the year ended 30 June 2021****13. Leases****Group as a lessee**

The Group has lease contracts pertaining to four office spaces for which right of use assets have been recognised. The Group's accounting policy for recognition of leases acquired in a business combination is contained in Note 2(h).

These leases are for office space and have lease terms of 0.25 to 5.5 years.

The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require maintenance of certain financial ratios.

The Group also has certain leases of office spaces with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the current and prior periods:

	Right-of-use assets \$'000
At 1 July 2019	11,291
Additions	365
Other movements	123
Depreciation Expense	(1,716)
At 30 June 2020	<u>10,063</u>
Additions	1,904
Depreciation Expense	(1,830)
At 30 June 2021	<u>10,137</u>

The following is a reconciliation of the lease liabilities as at 30 June 2021:

	Lease liabilities \$'000
At 1 July 2019	12,465
Additions	365
Accretion of interest	567
Payments made	(1,964)
At 30 June 2020	<u>11,433</u>
Additions	1,904
Accretion of interest	512
Payments made	(2,146)
At 30 June 2021	<u>11,703</u>

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Below is the allocation of lease liabilities between current and non-current liabilities at 30 June 2021:

	2021	2020
	\$'000	\$'000
Lease liabilities		
Current lease liabilities	1,772	1,502
Non-current lease liabilities	9,931	9,931
Total	11,703	11,433

The following are the amounts recognised in profit or loss:

	2021	2020
	\$'000	\$'000
Depreciation expense of right-of-use assets	1,831	1,716
Interest expense on lease liabilities	512	568
Expense relating to short-term leases (temporary office space)	276	756
Total amount recognised in profit or loss	2,619	3,040

The Group has total cash outflows for leases of \$2.4 million for the year ended 30 June 2021 (30 June 2020: \$2.7 million).

One of the Group's office lease contracts includes an extension option which allows the Group to extend the arrangement at future market rates upon expiry. This provides the Group flexibility in managing its office space requirements. The extension option has not been included in the measurement of the lease liabilities and right of use assets recognised as it is not considered reasonably certain it will be exercised. The potential future cashflows if this option was exercised in 2026 are approximately \$12.0 million.

14. Capital and Financial Risk Management

Financial risk management

In the course of its operations the Group is exposed to certain financial risks that could affect the Group's financial position and performance. This note explains the sources of these risks, how they are managed by the Group and exposure at reporting date. The table below outlines the financial instruments held by the Group:

	2021	2020
	\$'000	\$'000
Financial assets/(liabilities) measured at amortised cost		
Cash and cash equivalents	51,517	70,417
Trade and other receivables	2,115	894
Other financial assets	21,451	14,168
Interest bearing loans and borrowings – related parties	(192,982)	-
Interest bearing loans and borrowings	(297,397)	-
Trade and other payables	(49,858)	(30,228)
Total net financial (liabilities) / assets	(465,154)	55,251

The fair values of cash and cash equivalents, trade and other receivables, other financial assets, interest bearing loans and borrowing – related party and trade and other payables are considered to approximate their carrying amounts due to the short term-maturities of these instruments. The carrying value of interest-bearing loans and borrowings is also considered to approximate its fair value given the proximity of entering these facilities, which are with third party lenders (23 June 2021).

Approach to risk management

The Group takes a balanced approach to risk and seeks the most advantageous position when managing its affairs. It adopts a controlled and transparent approach and ensures all business is carried on with honesty and integrity and in compliance with applicable laws and regulations.

The Group's process for the management of risk is by using a risk management framework (RMF) and related policies to guide management. The overall process for the management of risk is documented in the RMF.

The Chief Risk Officer oversees the operational management of risk in line with the RMF and related policies / guidelines and reports regularly to the Group's Audit and Risk Committee (previously 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.

Certain companies within the Group (known as the 'Obligor Group'), entered into a senior unsecured 4-year revolving debt facility of \$335 million documented under a Syndicated Facility Agreement (SFA) on 23 June 2021. The New Banking Facilities are guaranteed by the Obligor Group and the interest on borrowings under the facility is calculated based on a margin of 1.6% over the Bank Bill Swap Rate (BBSY) which is subject to fluctuations

As the Group's financial instruments exposed to interest rate risk consist only of cash and cash equivalents which earn interest at floating rates (cash at bank) and fixed rates (short term deposits) the Group is not significantly exposed to interest rate risk at the reporting date. A +/- 25 basis point movement in interest rates would impact interest earned on cash held at the end of the period by +/- \$0.1 million (30 June 2020: +/- \$0.2 million).

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Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group'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 the Group's reputation.

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

The table below presents the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Estimated interest and principal payments are based on forward interest rates prevailing at year end and are undiscounted. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Maturing In:			Contractual Total \$'000	Carrying Amount \$'000
	1 Year or less \$'000	1 to 5 Years \$'000	> 5 Years \$'000		
2021					
Financial liabilities	21,451	-	-	21,451	21,451
Trade payables, accruals and other payables	28,407	-	-	28,407	28,407
Interest bearing loans and borrowings – related parties	192,982	-	-	192,982	192,982
Interest bearing loans and borrowings	5,118	315,128	-	320,246	297,397
Lease liabilities	2,281	9,901	1,114	13,296	11,703
Total	250,239	325,029	1,114	576,382	551,940
2020					
Financial liabilities	14,168	-	-	14,168	14,168
Trade payables, accruals and other payables	16,059	-	-	16,059	16,059
Lease liabilities	2,004	8,006	3,301	13,311	11,433
Total	32,231	8,006	3,301	43,538	41,660

Credit Risk

Credit risk is the risk that a counterparty to a financial asset held by the Group fails to meet their financial obligations. The Group does not consider itself to be subject to significant credit risk as Trade receivables due from subscribers are predominantly collected automatically as a disbursement from settlement funds through transactions completed on the PEXA Exchange. Receivables from transactions that do not include financial settlement are collected via direct debit on the day the transaction is completed on the PEXA Exchange.

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 of the four major Australian banks which maintain investment grade external credit ratings.

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The Group's objective when managing capital is to maintain flexibility so as to allow further investment into the PEXA Exchange platform and pursuit of growth opportunities. The Group currently monitors contributed equity on ordinary shares and cash and cash equivalents as capital. To fulfill capital management objectives, the Group may issue new shares or seek other new sources of capital such as loans and borrowings.

The Group believes that, on completion of the ASX listing, it will have sufficient cash to meet its operational and working capital requirements to meet its business objectives. The Directors note that in the future it 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.

The Group considers it has the ability to seek to raise further funds through equity or debt financing, joint ventures, licensing arrangements, strategic relationships or other means.

15. Current Liabilities – Trade and Other Payables

	2021	2020
	\$'000	\$'000
Financial liabilities (a)	21,451	14,168
Trade payables (b)	4,532	2,998
Other accruals	23,469	13,049
Superannuation payable	31	-
Other payables	375	13
Total	49,858	30,228

(a) Financial liability

The Group holds funds as a collection agent of lodgement fees for Land Title Registries. These funds are held in other financial assets (refer Note 10) and passed on to the Land Title Registries within 3 business days of lodgement.

(b) Trade payables

Trade payables are non-interest bearing and are normally settled on 30-day term from month end.

(c) Fair value

Due to the short-term in nature of these payables, their carrying value is assumed to approximate their fair value.

16. Current Liabilities – Provisions

	2021	2020
	\$'000	\$'000
Annual leave	3,877	2,680
Long service leave	1,090	822
Total	4,967	3,502

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17. Non-Current Liabilities – Provision

	2021	2020
	\$'000	\$'000
Long Service leave	592	588

18. Current Interest-Bearing Loans and Borrowings – Related Parties

	2021	2020
	\$'000	\$'000
At 1 July 2020	-	-
Return of capital	949,490	-
Interest expense	36,629	-
Interest paid	(3,663)	-
Acquisition of ordinary shares from MEP participants	(35,356)	-
Conversion of shareholder loans	(354,118)	-
Repayments of shareholder loans	(400,000)	-
Total	192,982	-

On 31 July 2020, the Group made a return of capital of \$949.5 million to its shareholders which was funded through shareholder loans. The loans were provided to the Group's shareholders in the same percentage as their equity ownership (Link Group 44.2%, Morgan Stanley Infrastructure Partners 40.0%, Commonwealth Bank of Australia 15.8%).

The loan facility was originally to run for six years until 1 August 2026 and had a fixed interest rate of 4.15%. The level of the interest rate was determined through a benchmark valuation exercise and was therefore assessed to reflect a fair value rate.

In connection with the IPO, the loan facility was agreed to be repaid or converted to ordinary shares. This occurred via the following steps:

Just prior to or on 30 June 2021:

- Parties to the shareholder loan – related parties (loan holders) entered into agreements with MEP participants to repay their limited recourse loans on the MEP Performance shares to the Group (limited recourse loan value of \$35.4 million). As consideration, the loan holders received ordinary shares in the Group from the MEP participants (at a price of \$17.13 per share) thereby reducing the outstanding shareholder loan value.
- \$354.1 million was converted to PEXA Group ordinary shares at \$17.13 per share.
- \$400.0 million was repaid with excess cash and process from the new syndicated facility (see below).

Subsequent to 30 June 2021 the remaining outstanding balance at 30 June 2021 was repaid as part of the IPO settlement process.

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19. Non-Current Interest - Bearing Loans and Borrowings

	2021	2020
	\$'000	\$'000
Borrowings – unsecured	300,000	-
Deferred borrowing costs ¹	(2,603)	-
Total	297,397	-

1. Deferred borrowing costs comprise the unamortised value of borrowing costs paid on establishment or refinancing of debt facilities. These costs are deferred on the Statement of Financial Position and amortised to borrowing costs in the Statement of Comprehensive Income.

Certain companies within the Group (known as the 'Obligor Group'), entered into a senior unsecured 4-year revolving debt facility of \$335 million documented under a Syndicated Facility Agreement (SFA) on 23 June 2021. The New Banking Facilities are guaranteed by the Obligor Group and the interest on borrowings under the facility is calculated based on a margin of 1.6% over the Bank Bill Swap Rate (BBSY).

On 29 June 2021, a \$300.0 million initial drawdown from the new banking facilities (less establishment fees), in conjunction with proceeds from the sale of new Shares under the Offer, was utilised to repay existing shareholder loans and pay transaction costs in relation to the Offer.

As at 30 June 2021 there were no defaults or breaches of any obligations of the Group under the SFA.

20. Contributed Equity and Reserves

(a) Ordinary shares

	2021	2020
	\$'000	\$'000
Issued and fully paid	1,058,198	1,618,632
Total	1,058,198	1,618,632

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Movement in ordinary shares on issue	No. of shares	\$'000
At 1 July 2019	138,007,181	1,618,632
Shares issued during the period	-	-
At 30 June 2020	138,007,181	1,618,632
Return of capital	-	(949,490)
Exercise of MEP Performance Shares ¹	6,037,789	35,356
Conversion of shareholder loans (Note 18)	20,672,382	354,118
Equity Issuance costs (net of tax)	-	(418)
At 30 June 2021	164,717,352	1,058,198

1. As detailed in Note 20(b) 6,037,789 MEP Performance Shares vested in connection with the IPO and were exercised and converted to ordinary shares. The value of limited recourse loans associated with the MEP Performance Shares that were repaid upon exercise was \$35.4 million.

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(b) Reserves – Share Based Payments

	2021	2020
	\$'000	\$'000
Share based payment expense – MEP Performance Shares	6,267	-
Share based payment expense – IPO related payments	1,322	-
Total	7,589	-

Benefits are provided to employees (including the Chief Executive Officer (CEO) and Senior Executives) and Directors of the Group in the form of share-based payments, whereby employees render services in exchange for equity/rights over shares. During the year ended 30 June 2021 the Group recognised expenses for share based payments relating to the IPO and ASX listing and the MEP. Although the ASX listing did not occur until post 30 June 2021, the commitment to issue the shares was completed prior to the end of the reporting period and therefore the cost to the business of issuing shares for no compensation was recognised.

Management Equity Plan (MEP)

The purpose of the MEP was to enable eligible employees (participants) to subscribe for MEP Performance shares in PEXA Group Limited using a non-recourse interest bearing loan and enabling them to share in the financial growth and performance of the Group. The invited participants are employees of Property Exchange Australia Limited (PEAL, a 100% owned subsidiary of PEXA Group Limited).

When an offer was made to a Participant, a limited recourse interest bearing loan was entered into to assist the Participant to acquire the MEP Performance shares. As the recourse on the loan is limited to the underlying MEP Performance shares, the MEP Performance shares were treated as options for accounting purposes. Accordingly, no loan receivable, increase in contributed equity or the number of shares on issue were recorded when the MEP Performance shares were issued.

On 23 July 2020, the Group approved a Grant of 5,830,781 MEP Performance shares (Grant 1). Participants were issued MEP Performance shares in three classes (Class A, B and C) based on the investment ownership percentage of the three shareholders of PEXA Group Limited. Each shareholder was associated with a class of MEP Performance share. The MEP Performance shares did not carry any voting rights or entitle the holder to any dividends or any returns on a reduction of capital or upon winding up of the Company. The MEP rules detailed that plan had a life of 10 years from 1 January 2020 and under the requirements of the MEP rules:

1. All of the MEP Performance shares issued will be unvested on issue, and vest on a tenure basis in line with the MEP rules. Unvested MEP Performance shares will only vest, in tranches by reference to the period of service (time) and Internal Rate of Return (IRR) for each shareholder following that participant's MEP start date during which the participant remains continuously employed.
2. Vesting service periods assuming continuous employment are detailed as < 2nd anniversary: (Nil), 2nd anniversary: (15% of MEP Shares will vest), 3rd anniversary: (30%), 4th anniversary: (45%), 5th anniversary: (60%), 6th anniversary: (75%), 7th anniversary: (90%); and 8th anniversary: (100%).
3. The service periods are also subject to leaver provisions (good and bad) as detailed in the MEP rules.

On 23 April 2021, the Group approved an additional Grant of 897,041 performance shares under this plan (Grant 2) (This Grant included 690,033 shares previously forfeited).

The MEP rules also included details on exit events or MEP liquidity events. A MEP liquidity event means, in respect of a shareholder which is the first to occur of: (a) a Share Sale; (b) an Asset Sale; (c) a Listing; and (d) a Shareholder Exit.

If a shareholder exited, the class of a participants MEP Performance shares related to that shareholder would be put up for sale in line with the sale of the shareholder's ordinary shares. Other MEP classes would stay on foot. The Board assesses the tenure served from the MEP start date until the date of the exit event in order to determine which shares are "vested" and which shares are "unvested".

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The MEP detailed that for those MEP Performance shares that are vested, the proceeds on this portion will be paid in full at exit event with those proceeds firstly applied towards repayment of the limited recourse loan. Those that are unvested could also be sold into an exit event but the proceeds relating to unvested shares and would be split into three tranches with two of those tranches deferred i.e. 50% of proceeds on unvested shares will be paid at the exit event, 30% of the proceeds will be deferred for 1 year and the remaining 20% will be deferred for 2 years.

However, the Board and Shareholders had the discretion to determine the method of settlement, whether it be cash payments or equity settlement. If a listing or IPO event was to occur, unless otherwise determined under the Shareholders' Deed, each MEP Performance share in each relevant MEP class will put into the share offering in connection with the listing. The MEP plan would be collapsed and all vesting services periods waived. The Board and Shareholders have the discretion to determine the method of settlement, whether it be cash payments or equity settlement.

As the MEP contained equity and cash settled alternatives in certain scenarios, the initial and ongoing assessment of the expected settlement method of the plan required judgement. In making the judgement that the expected settlement method of the MEP at the grant date and over the life of the plan was via equity, the Group considered the most likely vesting outcomes under the plan that would apply based on the facts and circumstances that existed over the life of the plan. As part of the IPO process, MEP shares vested and were converted to Ordinary Shares on 30 June 2021. The expense recognised in relation to the MEP between issuance and vesting was \$6.3 million.

The movements in the number of MEP Performance Shares on issue during the year are as follows:

	Class A	Class A WAEP	Class B	Class B WAEP	Class C	Class C WAEP
At 1 July 2020	-	-	-	-	-	-
Granted July 2020	2,332,312	4.85	2,575,889	4.85	922,580	4.85
Forfeited during the year ¹	(276,013)	-	(304,839)	-	(109,181)	-
Expired during the year	-	-	-	-	-	-
Granted April 2021	358,816	10.32	396,290	10.32	141,935	10.32
Vested and exercised during the year	(2,415,115)	-	(2,667,340)	-	(955,334)	-
At 30 June 2021	-	-	-	-	-	-

1 Following forfeiture, MEP Performance Shares were held as treasury shares by the Group. As they were issued and forfeited for nil consideration, they do not change the value of issued capital.

For Grant 1, the weighted average fair value of MEP Performance shares granted during the period was \$0.77 per share. The exercise price for the MEP Performance shares granted in July 2020 was \$4.85 (granted with an exercise price of \$11.73 and reduced by \$6.88 to \$4.85 due to return of capital to shareholders).

For Grant 2, the weighted average fair value of MEP Performance shares granted during the period was \$2.56 per share. The exercise price for the MEP Performance shares granted in April 2021 was \$10.32.

	MEP issued July 2020	MEP issued April 2021
Weighted average fair values at the measurement date (\$)	0.77	2.56
Dividend yield (%)	3.00	3.00
Expected volatility (%)	20.00	20.00
Risk-free interest rate (%)	0.89	1.68
Weighted average share price (\$)	5.62	12.88
Model used	Probability weighted expected returns methodology	

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If a shareholder exited, the class of a Participants MEP Performance shares related to that shareholder class would be put up for sale in line with the sale of the shareholder's Ordinary Shares. Other MEP classes stay on foot.

The expected life of MEP Performance shares are assumed for valuation purposes and probability weighted based on the timing of potential assessed exit event outcomes for Consortium members. The probabilities assigned to exit events for each of the Group's three majority shareholders occurring in a particular financial period are detailed below.

Grant 1, July 2020 issue:

Morgan Stanley Infrastructure	2021	2022	2023	2024	2025
	10%	30%	30%	15%	15%
	2026	2027	2028	2029	2030
	0%	0%	0%	0%	0%
Link Group & Commonwealth Bank Australia	2021	2022	2023	2024	2025
	3.5%	10.5%	10.5%	5.25%	5.25%
	2026	2027	2028	2029	2030
	5%	5%	5%	20%	30%

Grant 2, April 2021 issue:

Morgan Stanley Infrastructure	2021	2022	2023	2024	2025
	50%	16.7%	16.7%	8.3%	8.3%
	2026	2027	2028	2029	2030
	0%	0%	0%	0%	0%
Link Group	2021	2022	2023	2024	2025
	75%	2.7%	2.7%	1.4%	1.4%
	2026	2027	2028	2029	2030
	1.3%	1.3%	1.3%	5.2%	7.8%
Commonwealth Bank Australia	2021	2022	2023	2024	2025
	43.4%	6.2%	6.2%	3.1%	3.1%
	2026	2027	2028	2029	2030
	2.9%	2.9%	2.9%	11.7%	17.6%

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Notes to the Financial Report**For the year ended 30 June 2021****21. Earnings Per Share**

Basic earnings per share is calculated as (loss) after income tax attributable to owners of the Group, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares. Diluted earnings per share adjusts the weighted average number of shares for potentially dilutive ordinary shares.

	2021	2020
(Loss) after income tax attributable to owners of the Group (\$'000)	(11,787)	(30)
WANOS ⁽¹⁾ used in the calculation of basic and diluted ⁽²⁾ EPS (shares)	138,080,160	138,007,181
Basic EPS (cents per share)	(8.54)	(0.02)
Diluted EPS (cents per share)	(8.54)	(0.02)

(i) Weighted average number of ordinary shares.

(ii) There were no potentially dilutive ordinary shares during the current or comparative periods.

22. Related Party Disclosures**(a) Key Management Personnel**

Compensation for key management personnel ("KMP", includes Directors and Executive Committee members remuneration, superannuation and bonuses) recognised as an expense during the reporting period is disclosed in the table below.

KMP are those persons who, directly or indirectly, have authority and responsibility for planning, directing, and controlling the major activities of the Group. For the year ended 30 June 2021, Executive KMP are deemed to be the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer. A total of 10 executives were included as Executive KMP in the year ended 30 June 2020 prior to the Group becoming a listed entity.

Executive KMP	2021	2020
	\$'000	\$'000
Short-term employee benefits – Executive KMP	2,515	7,185
Share based payments – MEP	3,458	-
Other long-term benefits	1	89
Post-employment benefits – Superannuation	59	189
Post-employment benefits – Termination	-	799
Total	6,033	8,262
Non-executive KMP	2021	2020
	\$'000	\$'000
Short-term employee benefits – Non-executive KMP	242	159
Share based payments – Bonus Shares	700	-
Share based payments – Matched Shares	120	-
Post-employment benefits – Superannuation	2	11
Post-employment benefits – Termination	85	-
Total	1,149	170

In the year ended 30 June 2020 amounts paid by the Group related to the former Chairman. Director fees and remuneration for other shareholder Director representatives were incurred by the individual shareholders.

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(b) Transactions with related parties

Other than as disclosed below, there were no transactions with Key Management Personnel and their related parties during the year ended 30 June 2021 (30 June 2020: none). The total amount of transactions that have been entered into with related parties for the relevant financial year are:

Related party – entities with significant influence over the Group	2021 \$'000	2020 \$'000
Link Holdings (expenses for share registry management)	(7)	-
CBA Group (revenue)	16,046	11,922

CBA Group (like the three other major Australian financial institutions) is a customer of the Group that utilises the PEXA exchange for registering and discharging mortgages over properties on behalf of their customers.

The above transactions were completed on an arm's length basis and on the same terms as all other financial institutions.

(c) Parent entity and relationship with subsidiaries

The parent entity of the Group is PEXA Group Limited, which is domiciled and incorporated in Australia. All subsidiaries of the Group are wholly owned as at June 2021. Several new wholly owned subsidiaries were incorporated during the year however they have no material operations.

The material subsidiary of the Group is Property Exchange Australia Limited.

23. Events After Balance Sheet Date

PEXA Group IPO

Refer to Note 1(b) for disclosure of transactions occurring in connection with the IPO and ASX listing subsequent to 30 June 2021. These include the repayment of the remaining shareholder loans, issuance of new equity upon the IPO on 1 July 2021 and transaction costs incurred after the end of the period.

COVID-19

Since the balance sheet date of these accounts through to the date of this report, Australia and the rest of the world have been dealing with COVID-19. Through that period there were several restrictions implemented to varying degrees on the general public in a number of Australian States with the potential being a negative impact on property transactions that the PEXA Exchange platform facilitates.

At the date of signing this report the Group has not seen material impacts on its revenues or business. Any future restrictions may unfavourably impact the number of property transactions and correspondingly the Group's financial performance in future financial years.

No other event or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect:

- The Group's operations in future financial years;
- The results of those operations in future financial years; or
- The Group's state of affairs in future financial years.

24. Commitments & Contingencies

Capital commitments

The Group had no quantifiable capital commitments at 30 June 2021 (30 June 2020: nil).

Residential guarantee

The wholly owned subsidiary, Property Exchange Australia Limited, offers the PEXA Residential Seller Guarantee (PRSG) to provide protection to residential sellers in the event of certain kinds of fraud. Where the PRSG applies, the vendor (seller) has the option to make a claim against PEXA, rather than seeking to recover the loss by an alternative means.

The Group's obligations are held by Property Exchange Australia Limited and are capped at \$2 million per claim. No amounts relating to the PRSG have been provided for in the 30 June 2021 financial report.

Contingent liabilities

As at 30 June 2021 there are no contingent liabilities (2020: nil).

25. Auditors' Remuneration

During the year payments were made to our auditors for services in addition to the annual audit of the financial accounts of the Group. The following is detail of audit and other services:

	2021	2020
	\$	\$
Ernst & Young		
<u>Audit and assurance services</u>		
Category 1 – Group and statutory audit fees	463,510	159,480
Category 2 – Other assurance services	152,000	-
Category 3 – Other services (Strategy and Transaction services)	1,255,000	193,000
Total auditor remuneration	1,870,510	352,480

Category 1 - Fees to the Group auditor for: (i) auditing the statutory financial report of the parent covering the group; (ii) auditing the statutory financial reports of any controlled entities. Fees include historical audits performed as part of the IPO process.

Category 2 - Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm.

Category 3 – Fees paid or payable for other services. Services primarily relate the significant level of transaction activity associated with the PEXA Group IPO. Ernst & Young has provided an auditor's independence declaration to the Directors of the PEXA Group confirming that the provision of the other services has not impaired their independence as auditors.

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26. Information Relating to PEXA Group Limited (The Parent)

	2021	2020
	\$'000	\$'000
Current assets	2,427	2,757
Total assets	1,752,716	1,729,714
Current liabilities	(198,550)	(111,912)
Total liabilities	(718,855)	(111,912)
Issued share capital	(1,058,198)	(1,618,632)
Equity Reserves	(7,589)	-
Retained earnings	31,926	830
 (Loss) of the parent entity	 (31,096)	 (830)
Total comprehensive (loss) of the parent entity	(31,096)	(830)

The Parent had no commitments as at 30 June 2021 (2020: nil).

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Directors' Declaration

For the year ended 30 June 2021

Directors Declaration

In accordance with a resolution of the directors of PEXA Group Limited, I state that:

In the opinion of the directors:

- (a) The financial statements and associated notes set out on pages 13 to 54 are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of the financial position of the Group as at 30 June 2021 and of its performance for the year then ended; and
 - (ii) Complying with Australian Accounting Standards and *Corporations Regulations 2001*; and
 - (iii) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(a); and
- (b) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
- (c) This declaration has been made after receiving the declarations required to be made to the Directors but the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2021.

On behalf of the board



Mark Joiner
Chairman
25 August 2021

Independent auditor's report to the members of PEXA Group Limited

Opinion

We have audited the financial report of PEXA Group Limited (formally Torrens Group Holdings Limited) (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Capitalisation of intangible software assets

Why significant	How our audit addressed the key audit matter
Intangible software assets are disclosed in Note 12 of the financial report and the carrying value of intangible software assets are \$452.3m. The Group's income is generated from the processing of transactions through its internally developed software platform (the PEXA Exchange). Software development is also core to the Group's operations and requires judgement as to whether software development costs meet the capitalisation criteria of AASB 138 <i>Intangible Assets</i>. Costs incurred during the year that were capitalised totalled \$22.6 million. The capitalisation of intangible software assets was a key audit matter due to the significant judgements, including: ▶ whether software development costs incurred relate to research costs that should be expensed or development costs that are eligible for capitalisation; ▶ the assessment of future economic benefits and the technical feasibility of the software products; and ▶ the timing of amortisation and the useful lives for projects. The Group's disclosures regarding intangible assets, including intangible software assets are included in Note 12 of the financial report.	Our audit procedures included the following: ▶ We selected a sample of software development projects to determine the nature and status of the projects and assessed whether the projects met the capitalisation requirements of Australian Accounting Standards. ▶ We met with management, including project managers, to understand project status and assess the feasibility of completion. ▶ For a sample of capitalised employee and contractor costs we agreed the pay rates to employment contracts, supplier invoices and obtained evidence to support the allocated time charged to software development projects. ▶ We assessed the useful lives, timing of the commencement of amortisation and amortisation rates allocated to intangible software assets and capitalised development costs, as well as recalculating the amortisation expense for the year. ▶ We assessed the consistency of the capitalisation methodology applied by the Group in comparison to prior reporting periods. ▶ We assessed the adequacy of the related disclosures in the financial report, including the disclosure of judgements associated with the capitalisation of intangible software assets.

Revenue recognition and its reliance on automated processes and controls

Why significant	How our audit addressed the key audit matter
▶ The Group recognised \$221.0 million in Revenue from contracts with Customers for the year ended 30 June 2021. The Group's disclosures regarding revenue and transactional amounts are included in Note 4 of the financial report. ▶ The recognition of revenue was considered a key audit matter due to the significance of revenue to the financial report, its inter-relationship with the use of the PEXA Exchange and the level of audit effort required. ▶ The Group's revenue recognition processes are heavily reliant on IT systems with automated processes and application controls capturing, valuing and recording revenue transactions. These processes also include certain manual controls.	Our audit procedures included the following: ▶ We assessed the effectiveness of relevant controls over the capturing, valuing and recording of revenue transactions, including the relevant IT systems. ▶ We examined the processes and controls relating to the determination of revenue recognition in line with the satisfaction of performance obligations and tested a sample of transactions to supporting evidence. ▶ We tested the Group's controls over IT systems and IT related application controls relevant to revenue transaction processing and revenue recognition. ▶ We performed data analytic techniques to assess revenue transactions and the relationship with trade receivables and cash receipts.

Why significant	How our audit addressed the key audit matter
▶ The understanding and testing of IT systems and controls that process revenue transactions is therefore a key part of our audit.	▶ We tested cash receipts to customer remittances. ▶ We assessed the Group's accounting policies and disclosures set out in Notes 2(i) and 4 for compliance with the revenue recognition requirements of Australian Accounting Standards.

PEXA Group's initial public offering (IPO) and related transactions

Why significant	How our audit addressed the key audit matter
▶ The Group's shares began trading on the Australian Securities Exchange on 1 July 2021, following the successful completion of its IPO. ▶ The IPO required a number of transactional steps to be undertaken. These occurred both before and after 30 June 2021. ▶ Whilst the transactional steps were part of the IPO, they were assessed independently of each other and the timing of their recognition was considered both pre and post 30 June 2021. ▶ Transactional steps included in the IPO process included: ● Repayment and conversion of shareholder loans to issued shares. ● Establishment of a Syndicated Debt Facility Agreement. ● Accelerated vesting and expensing of Management Equity Plan share based payments. ● Issuance of new ordinary shares of the Company; and ● Incurring of Transaction costs, including amounts capitalised and expensed. ▶ The Group's disclosures regarding the IPO are included in Note 1(b) of the financial report. ▶ Given the material amounts involved and judgements associated with the timing of listing and recording of transactions, the IPO and related transactions was considered to be a key audit matter.	Our audit procedures included the following: ▶ We assessed the timing and accounting treatment for the IPO transaction steps. ▶ We assessed the extinguishment of shareholder loans through repayment and conversion to issued shares and obtained confirmations at 30 June 2021 for outstanding amounts. ▶ We considered the terms and conditions associated with the Syndicated Debt Facility Agreement. We confirmed amounts outstanding at 30 June 2021 and considered the capitalisation of directly attributable costs by assessing their nature to supplier invoice details. ▶ We assessed the judgements made in relation to the accelerated vesting and expensing of the Management Equity Plan in accordance with the requirements of AASB 2 <i>Share Based Payments</i>. ▶ We considered the requirement to record the issue of new shares to the shareholders at fair value being \$17.13 and agreed shares issued to Company records including share registers. ▶ We assessed the Group's judgments associated with the recognition, timing and capitalisation of transaction costs. ▶ We assessed the adequacy of the related disclosures in the financial report in respect of the IPO and related transactions, including subsequent events.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2021 Annual Report, but does not include the financial report and our auditor's report thereon. We obtained the directors' report be included in the annual report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the annual report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of our related assurance opinion.

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

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

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



Ernst & Young



Christopher Reid
Partner
Melbourne
25 August 2021