

**Torrens Group Holdings  
Pty Ltd (formerly LMC  
BIDCO PTY LTD)**

ACN 629 193 764

Financial report for the  
period ended 30 June 2019

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# Directors' Report

## Corporate information

Torrens Group Holdings Pty Ltd (formerly LMC BIDCO PTY LTD) was incorporated on 4 October 2018. The consolidated financial statements of Torrens Group Holdings Pty Ltd (the Company) and its subsidiaries (collectively, the Group) for the period ended 30 June 2019, were authorised for re-issue in accordance with a resolution of the directors on 21 May 2021.

Torrens Group Holdings Pty Ltd (the parent company) is a proprietary company limited by shares, incorporated and domiciled in Australia. The registered office is located at Tower 4, Level 16 727 Collins Street Melbourne 3008.

A description of the Group's operations and of its principal activities is included in the review of operations and activities below. The Directors' report is not part of the financial report.

## Directors

The Directors, who held office during or since the end of the period, held office for the full period unless otherwise stated and are as follows:

- Alan Cameron AO (Chairman) (Appointed 8 February 2019, Resigned 3 May 2021)
- Mark Joiner (Chairman) (Appointed 3 May 2021)
- John Hawkins (Appointed 4 October 2018)
- Mark McLean (Appointed 4 October 2018)
- Tim Cooper (Appointed 4 October 2018)
- Marc Vant Noordende (Alternate Director) (Appointed 10 January 2019)
- Glenn King (Chief Executive Officer) (Appointed 3 December 2019)
- Janine Rolfe (Director) (Appointed 19 January 2020)
- David Rajendra Singh (Director) (Appointed 18 January 2021)
- Binh Quang Tran (Alternative Director) (Appointed 8 February 2021)
- Marcus Price (Former Chief Executive Officer) (Appointed 4 October 2018, Resigned 3 December 2019)
- Daniel O'Neill (Appointed 27 May 2019, Resigned 18 January 2021)
- Andrew MacLachlan (Alternate Director) (Appointed 20 January 2020, Resigned 20 April 2021)

## Company Secretaries

- Ian Gilmour (Appointed 8 February 2019)
- Don Maloney (Appointed 8 February 2019, Resigned 10 September 2019)

## Registered office

Level 16, Tower 4  
727 Collins Street  
Melbourne Vic 3008

## Auditors

Ernst & Young  
8 Exhibition Street  
Melbourne Vic 3000

**Torrens Group Holdings Pty Ltd**  
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**Directors' Report**  
**For the period ended 30 June 2019**

## **Principal Activities**

The Company was incorporated by Link Property Pty Limited, Lightyear Investments B.V and Commonwealth Bank of Australia (the "shareholders") on 4 October 2018. The Company was effectively dormant until 16 January 2019, whereupon it became active as a result of the Company acquiring 100% of Property Exchange Australia Limited ("PEXA Limited") and PEXA SettleAssist Pty Ltd (the PEXA Acquisition).

PEXA Limited and PEXA SettleAssist Pty Ltd are therefore subsidiaries of the Group. PEXA, the business was formed in 2010 to fulfil an Australian government initiative to improve the efficiency, accuracy and transparency of property transactions within Australia.

Through PEXA Limited, the Group owns an Electronic Lodgement Network (ELN) and financial settlement platform (together the PEXA Exchange) and operates in the 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 the Group charges for these services is regulated and price increases are capped.

The Group's strategy is focused on:

- Maintaining and enhancing our status as the industry standard platform for e-conveyancing in Australia, ultimately enabling all transactions to be completed digitally on the PEXA Exchange.
- Continuing to invest in the development of the PEXA Exchange through new integrations, functionality and features.
- Attracting new users by providing adjacent services across all aspects of the property value chain, including the supporting platforms of PEXA Key, PEXA Plus and PEXA Projects; and
- Expanding our addressable market via international growth.

## **Operating Results**

### **Financial performance**

The operating results for the period ended 30 June 2019 only reflect the operations of the PEXA Exchange from the PEXA Acquisition date on 16 January 2019 (approximately five and a half months of operations).

During this period, the Group generated revenue of \$54,382,265, predominantly from transactions through the PEXA Exchange.

The number of transactions completed on the PEXA Exchange in the period was 840,555 and at 30 June 2019 the number of subscribers on comprised 177 Financial Institutions and 7,766 Practitioners.

The operating (loss) after tax of the Group amounted to (\$22,177,965).

### **Dividends**

No dividends were paid or declared during the period.

### **Rounding of amounts**

Amounts within the directors' report have been rounded to the nearest \$100,000 (where rounding is applicable) under the option available to the Group under ASIC Corporations Instrument 2016/191.

## **Options over unissued shares**

As at 30 June 2019 there were no unissued shares under option. Between 30 June 2019 and the date of this report, the introduction of the Management Equity Plan resulted in the issue of 6,037,789 performance shares which have the potential to be converted to ordinary shares in certain scenarios.

Refer to the matters subsequent to the end of the period section above for further details of the Management Equity Plan.

## **Significant changes in the state of affairs and future developments**

Refer to the Principal Activities and Operating Results sections above for information on the significant changes in the state of affairs of the Group and for likely developments and future prospects of the Group. Further information on likely developments in the operations of the Group has not been included in the Director's report because the Director's believe it would likely to result in unreasonable prejudice to the Group.

## **Matters subsequent to the end of the period**

### **Change in name**

On 2 September 2019 LMC BIDCO PTY LTD changed its name to Torrens Group Holdings Pty Ltd.

### **Capital Return**

In July 2020, Torrens Group Holding Pty Ltd approved a \$949.5 million capital return. This was financed by loans from the Group's shareholders and resulted in \$949.5 million of Shareholder loans being recognised by the Group in FY2021. These loans have a six-year term. Interest will accrue on the loans and the Group is expected to refinance some of this debt in FY2021.

The financial effect of this event has not been reflected in the 30 June 2019 financial statements.

### **Management Equity Plan**

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

Benefits are provided to employees (including the Chief Executive Officer (CEO) and Senior Executives) of the Group in the form of share-based payments, whereby employees render services in exchange for performance shares that have the potential to be converted to ordinary shares in certain scenarios.

### **The Group's shareholders to explore viability of an Initial Public Offering (IPO)**

On 25 February 2021, the Link Group announced to the Australian Stock Exchange that all three of the Group's shareholders (Link Group, Morgan Stanley Infrastructure Partners and Commonwealth Bank of Australia) have agreed to explore the viability of an IPO of the business.

### **COVID-19**

Since approximately December 2019 and 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 with the potential being a negative impact on property transactions that the PEXA 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.

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No other event or circumstance has arisen since 30 June 2019 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
- 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 period, 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 period.

**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 period.

**Torrens Group Holdings Pty Ltd**  
ACN 629 193 764  
**Directors' Report**  
**For the period ended 30 June 2019**

**Auditors' Independence Declaration**

The auditors' independence declaration for the period ended 30 June 2019 has been received and can be found on page 6.

Signed in accordance with a resolution of the directors.



.....  
Mark Joiner  
Chairman  
21 May 2021



**Building a better  
working world**

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GPO Box 67 Melbourne VIC 3001

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## **Auditor's independence declaration to the Directors of Torrens Group Holdings Pty Ltd**

As lead auditor for the audit of the financial report of Torrens Group Holdings Pty Ltd for the period ended 30 June 2019, 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 Torrens Group Holdings Pty and the entities it controlled during the period.

ERNST & YOUNG

Ernst & Young

A handwritten signature in black ink that reads 'C L Reid'.

Christopher Reid

Partner

Melbourne

21 May 2021





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## **Independent auditor's report to the members of Torrens Group Holdings Pty Ltd**

### **Opinion**

We have audited the financial report of Torrens Group Holdings Pty Ltd (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period 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 2019 and of its consolidated financial performance for the period 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.

### **Emphasis of Matter - Revised and Reissued Financial Report**

We draw attention to Note 2(a)(ii) of the financial statements, which discusses that the financial statements have been revised and re-issued. The other information in the Company's Directors Report has also been revised and re-issued. This audit report supersedes our audit report previously issued on the financial report dated 24 October 2019. Our opinion is not modified in respect of this matter.

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

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

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

## Responsibilities of the directors for the financial report

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

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

ERNST & YOUNG

Ernst & Young



Christopher Reid  
Partner  
Melbourne  
21 May 2021

## Consolidated Statement of Comprehensive Income

		For the period 4 October 2018 to 30 June 2019
	Note	\$
Sales	4	54,382,265
Cost of sales	4	<u>(11,188,260)</u>
<b>Gross profit</b>		<b>43,194,005</b>
Product development	4	(10,802,986)
Sales and marketing	4	(12,805,375)
General and administrative	4	(18,342,629)
Depreciation and amortisation	4	(25,449,267)
Depreciation of right of use assets	4,13	<u>(683,955)</u>
<b>(Loss) before interest and tax</b>		<b>(24,890,207)</b>
Interest income	4	1,371,730
Interest expense		-
Finance costs associated with leases	13	<u>(272,550)</u>
<b>(Loss) before income tax</b>		<b>(23,791,027)</b>
Income tax benefit	6	<u>1,613,062</u>
<b>(Loss) after income tax</b>		<b>(22,177,965)</b>
Other comprehensive income/(loss)		<u>-</u>
<b>Total comprehensive (loss)</b>		<b><u>(22,177,965)</u></b>
Basic earnings per share (cents)	19	(26.14)
Diluted earnings per share (cents)	19	(26.14)

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

## Consolidated Statement of Financial Position

	Note	2019 \$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	7	42,571,145
Trade and other receivables	8	435,554
Prepayments	9	5,972,623
Other financial assets	10	8,328,398
<b>Total Current Assets</b>		<b>57,307,720</b>
<b>Non-current assets</b>		
Property, plant and equipment	11	1,278,660
Intangible assets	12	1,599,434,827
Right of use assets	13	11,291,332
<b>Total Non-Current Assets</b>		<b>1,612,004,819</b>
<b>Total assets</b>		<b>1,669,312,539</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	15	27,560,856
Provisions	16	3,052,582
Lease liabilities	13	1,204,681
<b>Total Current Liabilities</b>		<b>31,818,119</b>
<b>Non-current Liabilities</b>		
Provisions	17	563,920
Lease liabilities	13	11,260,013
Deferred tax liabilities	6c	29,216,051
<b>Total Non-Current Liabilities</b>		<b>41,039,984</b>
<b>Total Liabilities</b>		<b>72,858,103</b>
<b>Net Assets</b>		<b>1,596,454,436</b>
<b>EQUITY</b>		
Contributed equity	18	1,618,632,401
Accumulated losses		(22,177,965)
<b>Total equity</b>		<b>1,596,454,436</b>

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

**Torrens Group Holdings Pty Ltd**  
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**Consolidated Statement of Changes in Equity**  
For the period ended 30 June 2019

## Consolidated Statement of Changes in Equity

	Contributed equity	Accumulated losses	Total
	\$	\$	\$
<b>As at 4 October 2018</b>	-	-	-
Comprehensive (loss) for the period	-	(22,177,965)	(22,177,965)
Issue of share capital	1,618,632,401	-	1,618,632,401
<b>As at 30 June 2019</b>	<b>1,618,632,401</b>	<b>(22,177,965)</b>	<b>1,596,454,436</b>

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

## Consolidated Statement of Cash Flows

<b>Consolidated Statement of Cash Flows</b>	<b>Note</b>	<b>For the period 4 October 2018 to 30 June 2019 \$</b>
<b>Cash from operating activities:</b>		
Receipts from customers (inclusive of GST)		60,012,843
Interest received		1,371,730
Payments to suppliers and employees (inclusive of GST)		(60,123,669)
Interest paid on lease liabilities	13	(272,550)
<b>Net cash flows from operating activities</b>	<b>7</b>	<b><u>988,354</u></b>
<b>Cash flows from investing activities:</b>		
Acquisition of a subsidiary, net of cash acquired	24	(1,565,735,270)
Purchase of intangible assets	12	(10,163,769)
Purchase of property, plant and equipment	11	(636,032)
<b>Net cash flows (used in) investing activities</b>		<b><u>(1,576,535,071)</u></b>
<b>Cash flows from financing activities:</b>		
Net proceeds from issue of shares		1,618,632,401
Payment of principal portion of lease liabilities	13	(514,539)
<b>Net cash flows from financing activities</b>		<b><u>1,618,117,862</u></b>
<b>Net increase in cash and cash equivalents held</b>		<b>42,571,145</b>
Cash and cash equivalents at beginning of financial period		-
<b>Cash and cash equivalents at the end of the financial period</b>	<b>7</b>	<b><u>42,571,145</u></b>

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

# Notes to the Financial Report

## 1. Corporate information

The consolidated financial statements (the financial statements) comprise that of Torrens Group Holdings Pty Ltd and its subsidiaries (the Group) for the period ended 30 June 2019. They were authorised for re-issue (refer Note 2(a)(ii) below) in accordance with a resolution of the Directors on 21 May 2021. The Directors have the power to amend and reissue the financial statements.

## 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 and all values are rounded to the nearest dollar, unless otherwise stated. The period presented in these financial statements is from 4 October 2018, the date of incorporation of Torrens Group Holdings Pty Ltd, to 30 June 2019, however it only includes the results of the PEXA Acquisition from the acquisition date on 16 January 2019.

#### (ii) Reissued financial statements

On 25 February 2021, the Group's shareholders publicly announced plans to explore the viability of an Initial Public Offering (IPO) of the Group. These financial statements have been re-issued as General Purpose Financial Statements (previously General Purpose – Reduced Disclosure Regime) in connection with this IPO process.

The financial statements were authorised for re-issue in accordance with a resolution of the Directors on 21 May 2021. Other information in the Company's Directors Report has also been revised and re-issued. As compared to the previous financial statements for the period ended 30 June 2019 (which were previously issued on 24 October 2019), the following adjustments were made to the Statement of Financial Position and Statement of Comprehensive Income for the respective periods presented in these financial statements:

- A reduction in goodwill and net deferred tax liabilities of \$88.3 million recognised at the time of the PEXA Acquisition on 16 January 2019.
- An additional decrease in net deferred tax liabilities recognised at 30 June 2019 of \$6.8 million relating to the recognition of carry forward tax losses (with a corresponding change in the net income tax charge recognised in the Statement of Comprehensive Income).
- The adjustment of certain amounts in both the Statement of Financial Position and Statement of Comprehensive Income relating to the early adoption of AASB 16 *Leases* in these re-issued financial statements. Refer to Note 13 for further information.

In determining the deferred tax related adjustments, the Group has given regard to the requirements of AASB Interpretation 23 *Uncertain tax treatments* which has been early adopted in these reissued financial statements. Refer Note 2(c)(ii).

Where applicable, other amounts have also been adjusted to conform to changes in presentation in the reissued financial statements.



**Torrens Group Holdings Pty Ltd**  
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**Notes to the Financial Report**  
**For the period ended 30 June 2019**

**(iii) Rounding**

Amounts within this report have been rounded to the nearest \$100,000 (where rounding is applicable) under the option available to the Group under ASIC Corporations Instrument 2016/191. Otherwise amounts are presented rounded to the nearest \$1.

**(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. The Group incurred a (loss) after tax of \$(22,177,965) for the period ended 30 June 2019 however had a net current asset surplus of \$25,489,601 (current assets greater than current liabilities) at that date and cash inflows from operating activities of \$988,354 for the period ended 30 June 2019.

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 risks, they are satisfied that the going concern basis remains appropriate. The Group does not carry any external debt at 30 June 2019. However, subsequent to 30 June 2019 the Group converted a portion of its equity to shareholder loans. The Group's shareholder loans are provided by its three ordinary shareholders in the same percentage as their equity ownership. These loans have a six-year term from July 2020. The Company has historically been well supported by its shareholders providing capital.

Furthermore, the Group continues to grow revenue and operating cash flows, predominately from increased transactions through the PEXA Exchange. It has also experienced an increase in the number of subscribers on the PEXA Exchange comprising financial institutions and practitioners. Based on these trends and future forecasted cash flows the Group considers it has sufficient cash reserves to meet its current financial commitments for a period of greater than 12 months from the date of this report.

**(c) New Accounting Standards and Interpretations**

**(i) Early adoption of AASB 16 Leases**

As noted above at Note 2(a)(ii) The Group early adopted AASB 16 *Leases* in these re-issued financial statements.

**(ii) Early adoption of AASB Interpretation 23 *Uncertain tax treatments***

The Group early adopted Interpretation 23 in these re-issued financial statements. This Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of the recognition and measurement criteria in AASB 112 Income Taxes. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group has applied Interpretation 23 in determining adjustments made in these re-issued financial statement, including in determining whether it is probable that its tax treatments will be accepted by the taxation authorities. Refer to Note 2(a)(ii).

**(iii) Impact of AASB 15 *Revenue from contracts with customers* and AASB 9 *Financial instruments***

AASB 15 and AASB 9 were adopted by the Group from the date of its incorporation.

**(iv) Other standards issued but not yet effective**

The Group has considered 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:

- 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 2019 include trade and other payables which are measured at amortised cost. Shareholder loans entered into post the end of the reporting period (refer Note 21) will also be measured at amortised cost.

**Derecognition**

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred, or liabilities assumed, is recognised in profit or loss as other income or finance costs.

**(iii) Measurement of financial assets and liabilities at amortised cost**

Financial instruments measured at amortised cost are subsequently measured using the effective interest (EIR) method. This is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

**(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

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 1.25 and 8 years).

**(ii) Lease liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable and amounts expected to be paid under residual value guarantees but do not include payments relating to non-lease components of the agreement. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The present value of lease payments is calculated using the interest rate implicit within the lease or, if this is not readily determinable, the Group's incremental borrowing rate (IBR). The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

**(iii) Short term leases and leases of low value assets**

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

**(iv) Leases acquired in a business combination**

For leases acquired in a business combination, the Group measures the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. Right-of-use assets are measured at an amount equal to lease liabilities, adjusted to reflect the favourable or unfavourable terms of the lease relative to market terms.

**(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.

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- **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.

**(I) 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:

	Intangible software assets and customer relationships	Operational procedures
Useful lives	15 years	3 years
Amortisation method used	Amortised over the period of expected future benefits on a straight-line basis	Amortised over the period of expected future benefits on a straight-line basis
Internally generated or acquired	Both internally generated (development costs) and acquired.	Acquired

Intangible assets with indefinite useful lives (including goodwill) are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level (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) 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.

**(p) 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:

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- 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.

**(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.

**(q) 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 period end are recorded in the statement of financial position as an asset and recognised as an expense when the transaction completes.

**(r) Principles of consolidation**

These consolidated financial statements comprise the assets and liabilities of all controlled entities of Torrens Group Holdings Pty Ltd at 30 June 2019 and the results of all controlled entities for the financial period 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



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- 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.

**(s) 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:

- 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.

**(a) Significant accounting judgements**

**Taxation**

The Group's accounting policy for taxation requires management's judgement to assess whether deferred tax assets are recognised on the Statement of Financial Position. As detailed in Note 6, at 30 June 2019 the Group has recognised deferred tax assets of \$108,181,396 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.

**Identification of Torrens Group Holdings Pty Ltd as accounting acquirer**

A number of judgements are required under accounting standards when accounting for a business combination by applying the acquisition method. A key judgement is who the acquirer is that obtains control of another entity (the acquiree). In determining that the Company was the accounting acquirer in the PEXA Acquisition a number of factors were considered including the composition of the shareholders, Board and key management personnel of the Company post acquisition relative to those existing pre-acquisition in Property Exchange Australia Limited and PEXA SettleAssist Pty Ltd.

**(b) Significant accounting estimates and assumptions**

**Estimation of useful lives of assets**

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment. Adjustments to useful lives are made when considered necessary.

**Impairment testing of intangible assets**

The Group assesses whether its intangible assets (including goodwill) are carried above their recoverable amount on an annual basis or when there are other indicators of impairment. Recoverable amount is determined as the higher of fair value less costs of disposal and value-in-use (VIU). The Group has applied a value-in-use (VIU) discounted cash flow methodology to assess recoverable amount.

Management has completed its impairment assessment based on all known facts and circumstances, incorporating its best estimates from information available at reporting date. The discounted cash flows are derived from Board approved profit and cash flow forecasts and do not include restructuring activities that the Group is not yet committed to or possible future investments. The VIU model prepared by management as part of the impairment assessment is most sensitive to the following assumptions, being forecast cash flows, discount rates and longer-term growth rates used in the VIU model.

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**4. Revenue, Income and Expenses**

	<b>For the period 4 October 2018 to 30 June 2019 \$</b>
<b>Revenue from contracts with customers</b>	
Transfers	41,407,326
Refinances	9,530,951
Other Exchange Transactions	2,964,150
Other Products	479,838
<b>Total revenue from contracts with customers</b>	<u>54,382,265</u>
<b>Interest income</b>	<u>1,371,730</u>
<b>Cost of sales</b>	<u>(11,188,260)</u>
<b>Product development expenses<sup>1</sup></b>	
Employee benefit expenses <sup>2</sup>	(4,837,639)
IT and technology costs	(5,965,347)
	<u>(10,802,986)</u>
<b>Sales and marketing expenses</b>	
Employee benefit expenses <sup>2</sup>	(9,466,876)
Travel and entertainment	(1,706,407)
Sales and marketing	(1,632,092)
	<u>(12,805,375)</u>
<b>General and administrative expenses</b>	
Employee benefit expenses <sup>2</sup>	(10,424,419)
Professional fees	(4,950,790)
Occupancy expenses	(376,025)
Other <sup>3</sup>	(2,591,395)
	<u>(18,342,629)</u>
<b>Depreciation and amortisation</b>	
Depreciation of property, plant and equipment	279,624
Amortisation of Intangibles	25,169,643
	<u>25,449,267</u>
<b>Depreciation of right of use assets</b>	<u>683,955</u>

1. 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.
2. Total employee benefits expense for the period was \$24,728,934.
3. Other includes administration and board expenses.

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**5. Segment Information**

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. 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.

	<b>For the period 4 October 2018 to 30 June 2019 \$</b>
<b><i>PEXA Exchange segment</i></b>	
PEXA Exchange platform revenues	54,382,265
Other	-
<b>Total segment revenue</b>	<u>54,382,265</u>
Cost of sales	(11,188,260)
<b>Gross Margin</b>	<u>43,194,005</u>
Resource costs	(24,728,934)
Other operating expenses	(13,582,213)
<b>PEXA Exchange EBITDA</b>	<u>4,882,858</u>

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**(b) Reconciliation of segment EBITDA to net profit before tax**

	<b>For the period 4 October 2018 to 30 June 2019</b>
	<b>\$</b>
<b>PEXA Exchange EBITDA</b>	<u>4,882,858</u>
<i>Non segment resource related costs</i>	
Redundancy and Restructure	(3,639,843)
<b>EBITDA<sup>1</sup></b>	<b>1,243,015</b>
Depreciation and amortisation	(26,133,222)
Interest income (net)	1,099,180
<b>Statutory net (loss) before tax</b>	<u><b>(23,791,027)</b></u>

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 wholly to the PEXA Exchange Segment.

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**6. Income Tax**

**(a) Income tax expense**

	<b>For the period 4 October 2018 to 30 June 2019 \$</b>
<hr/>	
The major components of income tax expense are: Consolidated Statement of Comprehensive Income	
<i>Current income tax</i>	
Current income tax charge	-
<i>Deferred income expense</i>	
Relating to deferred tax on temporary differences	(5,155,976)
Recognition of current period tax losses and tax credits carried forward	6,769,038
<b>Income tax benefit reported in the Statement of Comprehensive Income</b>	<b><u>1,613,062</u></b>

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

A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows:

	<b>For the period 4 October 2018 to 30 June 2019 \$</b>
<hr/>	
<b>Accounting loss before tax</b>	<b>(23,791,027)</b>
Benefit at the Group's statutory tax rate of 30%	7,137,308
<i>Adjustments in respect of current income tax</i>	
Expenditure allowable/not allowable for income tax expenses	(17,801)
Relating to deferred tax adjustment on in-house software <sup>1</sup>	(5,153,965)
Relating to other adjustments	(352,480)
<b>Income tax benefit</b>	<b><u>1,613,062</u></b>

1. 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.

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**(c) 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:

	<b>Consolidated statement of financial position 2019</b>	<b>Consolidated statement of profit or loss for the period 4 October 2018 to 30 June 2019</b>
<i>Deferred Tax Liabilities</i>		
Intangible Assets	(137,397,446)	(5,370,429)
<i>Deferred Tax Assets</i>		
Transaction costs	16,746,086	(1,626,726)
Provisions and accruals	4,573,612	1,841,179
Carry forward tax losses and tax credits	86,861,698	6,769,038
Total Deferred Tax Assets	108,181,396	6,983,491
<b>Net deferred tax (liabilities) / deferred tax benefit</b>	<b>(29,216,051)</b>	<b>1,613,062</b>

**(d) Members of the tax consolidated group**

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

Torrens Group Holdings Pty Ltd 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 Torrens Group Holdings Pty Ltd. Torrens Group Holdings Pty Ltd 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**

Measurement method adopted under 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.

**(iii) Nature of the tax funding agreement**

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.

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**7. Current Assets – Cash and Cash Equivalents**

	<b>2019</b>
	<b>\$</b>
Cash at bank and on hand	22,571,145
Short-term deposits	20,000,000
	<u>42,571,145</u>

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

	<b>For the period 4 October 2018 to 30 June 2019</b>
	<b>\$</b>
<b>(Loss) after income tax</b>	<b>(22,177,965)</b>
<i>Adjustments for:</i>	
<b>Non-cash items</b>	
Depreciation and amortisation	26,133,222
Income tax benefit	(1,613,062)
<b>Change in operating assets and liabilities:</b>	
Decrease in receivables	1,483,605
(Increase) in prepayments	(3,262,086)
(Decrease) in payables	(313,119)
Increase in provisions	737,759
<b>Net cash flows from operating activities</b>	<b><u>988,354</u></b>

**8. Current Assets – Trade and Other Receivables**

	<b>2019</b>
	<b>\$</b>
Trade receivables from contracts with customers	166,828
Rental bonds	160,013
Other receivables	108,713
	<u>435,554</u>

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 2019 was nil.



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**9. Current Assets - Prepayments**

	<b>2019</b>
	<b>\$</b>
Prepaid insurance	3,056,954
Prepaid software licensing and support	1,226,710
Prepaid land registry fees - lodgement support services	914,403
Other prepayments	774,556
	<u>5,972,623</u>

**10. Current Assets – Financial Assets**

	<b>2019</b>
	<b>\$</b>
Other financial assets	8,328,398
	<u>8,328,398</u>

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.

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

**Reconciliation of carrying amounts at the beginning and end of the period**

	<b>Furniture, and fittings</b>	<b>Office and computer equipment</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Cost</b>			
<b>At 4 October 2018</b>	-	-	-
Acquisition of a subsidiary (Note 24)	157,692	764,560	922,252
Additions	-	636,032	636,032
<b>At 30 June 2019</b>	<u>157,692</u>	<u>1,400,592</u>	<u>1,558,284</u>
<b>Depreciation and Impairment</b>			
<b>At 4 October 2018</b>	-	-	-
Depreciation charge for the period	(22,610)	(257,014)	(279,624)
<b>At 30 June 2019</b>	<u>(22,610)</u>	<u>(257,014)</u>	<u>(279,624)</u>
<b>Net book value</b>			
<b>At 30 June 2019</b>	<u>135,082</u>	<u>1,143,578</u>	<u>1,278,660</u>

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**12. Non-Current Assets – Intangible Assets**

	Goodwill \$	Intangible Software Assets \$	Operational Procedures \$	Customer Relationships \$	Brand \$	Licenses \$	Total \$
<b>Cost</b>							
<b>At 4 October 2018</b>	-	-	-	-	-	-	-
Acquisition of a subsidiary	693,550,646	482,949,055	1,871,000	397,451,000	23,660,000	14,959,000	1,614,440,701
Additions	-	10,163,769	-	-	-	-	10,163,769
<b>At 30 June 2019</b>	<b>693,550,646</b>	<b>493,112,824</b>	<b>1,871,000</b>	<b>397,451,000</b>	<b>23,660,000</b>	<b>14,959,000</b>	<b>1,624,604,470</b>
<b>Amortisation and impairment</b>							
<b>At 4 October 2018</b>	-	-	-	-	-	-	-
Amortisation	-	(12,909,736)	(281,932)	(11,977,975)	-	-	(25,169,643)
<b>At 30 June 2019</b>	<b>-</b>	<b>(12,909,736)</b>	<b>(281,932)</b>	<b>(11,977,975)</b>	<b>-</b>	<b>-</b>	<b>(25,169,643)</b>
<b>Net book value</b>							
<b>At 30 June 2019</b>	<b>693,550,646</b>	<b>480,203,088</b>	<b>1,589,068</b>	<b>385,473,025</b>	<b>23,660,000</b>	<b>14,959,000</b>	<b>1,599,434,827</b>

**(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:

- **PEXA Brand:** The Group expects this use this indefinitely and expects any hypothetical acquirer would continue to utilise the brand.
- **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 period ended 30 June 2019.

**(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.

As detailed in Note 3, the Group estimates recoverable amount using a value-in-use (VIU) discounted cash flow methodology. Key inputs and assumptions to the VIU calculation are outlined below. The assessment of carrying value incorporated those known events and circumstances as at 30 June 2019.

**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.

	<b>2019</b>
Nominal discount rate (pre-tax)	12.30%
Terminal growth rate	2.50%
Forecast cash flows	5 Years

**Discount rates**

The discount rate was 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.

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**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 market penetration and growth rates on a state by state basis. 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	<b>2019</b>
Nominal discount rate (pre-tax)	0.70%
Terminal growth rate	(1.00%)
Forecast cash flow input to terminal value calculation	(10.00%)

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**13. Leases**

**Group as a lessee**

As disclosed in Note 2(a)(ii) the Group early adopted AASB 16 *Leases* in these reissued financial statements.

The Group has lease contracts pertaining to two office spaces for which right of use assets have been recognised. These were both acquired as part of the PEXA Acquisition on 16 January 2019. 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 1.25 to 8 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:

	<b>Right-of-use asset</b>
	<b>\$</b>
<b>As at 4 October 2018</b>	-
Arising upon business combination (Note 24)	11,975,287
Depreciation Expense	(683,955)
<b>As at 1 July 2019</b>	<b>11,291,332</b>

The following is a reconciliation of the lease liabilities as at 30 June 2019:

	<b>Lease liabilities</b>
	<b>\$</b>
<b>As at 4 October 2018</b>	-
Arising upon business combination (Note 24)	12,979,233
Accretion of interest	272,550
Payments made	(787,089)
<b>At 1 July 2019</b>	<b>12,464,694</b>

Below is the allocation of lease liabilities between current and non-current liabilities at 30 June 2019:

	<b>2019</b>
	<b>\$</b>
<b>Lease liabilities</b>	
Current lease liabilities	1,204,681
Non-current lease liabilities	11,260,013
<b>Total</b>	<b>12,464,694</b>

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The following are the amounts recognised in profit or loss:

	<b>For the period 4 October 2018 to 30 June 2019 \$</b>
Depreciation expense of right-of-use assets	683,955
Interest expense on lease liabilities	272,550
Expense relating to short-term leases (temporary office space)	464,223
<b>Total amount recognised in profit or loss</b>	<b>1,420,728</b>

The Group has total cash outflows for leases of \$1,251,312 for the period ended 30 June 2019.

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 \$11,976,546.

## 14. Capital and Financial Risk Management

### (a) 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:

	<b>2019</b>
	<b>\$</b>
<b>Financial assets/(liabilities) measured at amortised cost</b>	
Cash and cash equivalents	42,571,145
Trade and other receivables	435,554
Other financial assets	8,328,398
Trade and other payables	(27,560,856)
<b>Total net financial assets</b>	<b>23,774,241</b>

The fair values of these financial instruments are considered to approximate their carrying amounts due to the short term-maturities of these instruments.

#### 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 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. 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 +/- \$106,428.

#### Liquidity risk

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. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

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	Maturing In:			Contractual Total	Carrying Amount
	1 Year or less	1 to 5 Years	> 5 Years		
	\$	\$	\$		
<b>2019</b>					
Financial liabilities	8,328,398	-	-	8,328,398	8,328,398
Trade payables, accruals and other payables	19,232,458	-	-	19,232,458	19,232,458
Lease liability	1,764,145	7,724,427	5,411,346	14,899,918	12,464,694
<b>Total</b>	<b>29,325,001</b>	<b>7,724,427</b>	<b>5,411,346</b>	<b>42,460,774</b>	<b>40,025,550</b>

**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.

**(b) Capital management**

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 return capital to shareholders, issue new shares or seek other new sources of capital such as loans and borrowings.



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**15. Current Liabilities – Trade and Other Payables**

	<b>2019</b>
	<b>\$</b>
Financial liabilities (a)	8,328,398
Trade payables (b)	925,625
Other accruals	17,095,821
Superannuation payable	297,882
Other payables	913,130
<b>Total</b>	<b><u>27,560,856</u></b>

**(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**

	<b>2019</b>
	<b>\$</b>
Annual leave	2,238,251
Long service leave	814,331
<b>Total</b>	<b><u>3,052,582</u></b>

**17. Non-Current Liabilities – Provision**

	<b>2019</b>
	<b>\$</b>
<b>Long Service leave</b>	<b><u>563,920</u></b>

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**18. Contributed Equity**

**Ordinary shares**

	<b>2019</b>
	<b>\$</b>
Issued and fully paid	1,618,632,401
	<u>1,618,632,401</u>

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

<b>Movement in ordinary shares on issue</b>	<b>No. of shares</b>	<b>\$</b>
<b>As at 4 October 2018</b>	-	-
Shares issued during the period	138,007,181	1,618,632,401
<b>At 30 June 2019</b>	<u>138,007,181</u>	<u>1,618,632,401</u>

**19. 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.

	<b>For the period 4 October 2018 to 30 June 2019</b>
(Loss) after income tax attributable to owners of the Group (\$)	(22,177,965)
WANOS <sup>(1)</sup> used in the calculation of basic and diluted <sup>(2)</sup> EPS (shares)	84,848,849
Basic EPS (cents per share)	(26.14)
Diluted EPS (cents per share)	<u>(26.14)</u>

1. Weighted average number of ordinary shares.
2. There were no potentially dilutive ordinary shares during the current period.

**20. Related Party Disclosures**

**(a) Key Management Personnel**

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

	<b>For the period 4 October 2018 to 30 June 2019</b>
	<b>\$</b>
Short-term employee benefits	2,786,384
Other long-term benefits	41,840
<b>Total</b>	<b>2,828,224</b>

**(b) Transactions with related parties**

There were no transactions with Key Management Personnel and their related parties during the period ended 30 June 2019. The total amount of transactions that have been entered into with other related parties for the relevant financial period are:

	<b>For the period 4 October 2018 to 30 June 2019</b>
	<b>\$</b>
<b>Related party</b>	
CBA Group	4,255,083

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 Torrens Group Holdings Pty Ltd, which is domiciled and incorporated in Australia. All subsidiaries of the Group are wholly owned as at June 2019 and from the date of the PEXA Acquisition. The subsidiaries of the Group are Property Exchange Australia Limited and PEXA SettleAssist Pty Ltd.

## **21. Events After Balance Sheet Date**

### **Capital Return**

In July 2020, Torrens Group Holding Pty Ltd (TGH) approved a \$949.5 million capital return. This was financed by loans from the Group's shareholders and resulted in \$949.5 million of Shareholder loans being recognised by the Group in FY2021. These loans have a six-year term. Interest will accrue on the loans and the Group is expected to refinance some of this debt in FY2021.

The financial effect of this event has not been reflected in the 30 June 2019 financial statements.

### **Management Equity Plan**

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

Benefits are provided to employees (including the Chief Executive Officer (CEO) and Senior Executives) of the Group in the form of share-based payments, whereby employees render services in exchange for performance shares that have the potential to be converted to ordinary shares in certain scenarios.

### **The Group's shareholders to explore viability of an Initial Public Offering (IPO)**

On 25 February 2021, the Link Group announced to the Australian Stock Exchange that all three PEXA shareholders (Link Group, Morgan Stanley Infrastructure Partners and Commonwealth Bank of Australia) have agreed to explore the viability of an IPO of the business.

### **COVID-19**

Since approximately December 2019 and 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 with the potential being a negative impact on property transactions that the PEXA 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 financial performance in the current financial period.

No other event or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect:

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

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**22. Commitments & Contingencies**

**(a) Capital commitments**

	<b>2019</b>
	<b>\$</b>
Accenture contract termination costs	1,122,000

The above represents the quantifiable capital commitments of the Group at period end.

**(b) 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 2019 financial report.

**(c) Contingent liabilities**

As at 30 June 2019 there are no contingent liabilities.

**23. Auditors' Remuneration**

During the period 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 IT assurance related services:

	<b>2019</b>
	<b>\$</b>
<b>Ernst &amp; Young</b>	
<b><u>Audit and assurance services</u></b>	
Audit services	173,400
Other assurance services	8,000
<b>Total</b>	<b>181,400</b>
<b><u>Non-audit &amp; other services</u></b>	
IT Testing & Security	175,000
<b>Total auditor remuneration</b>	<b>356,400</b>

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**24. Business Combinations During the Period**

**(a) Background - Acquisition of Property Exchange Australia Limited and PEXA SettleAssist Pty Ltd**

On 16 January 2019, the Group acquired 100% of Property Exchange Australia Limited and PEXA SettleAssist Pty Ltd (collectively, the PEXA Group), non-listed companies based in Australia, specialising in e-Conveyancing.

**(b) Assets acquired, liabilities assumed and purchase consideration**

The aggregated fair value of the identifiable assets and liabilities as at the date of acquisition were:

	<b>Fair Value</b>
	<b>\$</b>
<b>Assets</b>	
Cash and cash equivalents	49,320,951
Other financial assets	3,672,286
Trade and other receivables	1,919,159
Prepayments and other assets	2,710,537
Property, plant and equipment (Note 11)	922,252
Intangible software assets (Note 12)	482,949,055
Customer relationships (Note 12)	397,451,000
Operational procedures (Note 12)	1,871,000
Right of use assets (Note 13)	11,975,287
Brand (Note 12)	23,660,000
Licences (Note 12)	14,959,000
<b>Total assets</b>	<b><u>991,410,527</u></b>
<b>Liabilities</b>	
Trade and other payables	(23,217,862)
Lease liability (Note 13)	(12,979,233)
Provisions	(2,878,743)
Net deferred tax liabilities	(30,829,114)
<b>Total liabilities</b>	<b><u>(69,904,952)</u></b>
<b>Total identifiable net assets at fair value</b>	<b><u>921,505,575</u></b>
Goodwill arising on acquisition (Note 12)	693,550,646
<b>Purchase consideration transferred (cash)</b>	<b><u>1,615,056,221</u></b>
<b>Purchase consideration net of cash acquired</b>	<b><u>1,565,735,270</u></b>

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**(c) Other disclosures relating to amounts acquired**

**(i) Goodwill and intangible assets**

The Goodwill acquired is attributable to the PEXA Group's established digital conveyancing market position and the high long-term growth potential of this market. Goodwill is not deductible for tax purposes.

The Group also identified intangible assets relating to the PEXA software platform, customer relationships with PEXA subscribers, the PEXA brands and certain licenses. These were recognised at their fair values.

**(ii) Net deferred tax liabilities**

The net deferred tax liabilities largely relate to the intangible assets acquired having a higher accounting carrying value than their base for taxation, partly offset by deferred tax assets relating to carry forward tax losses.

**(iii) Trade and other receivables**

The fair value of trade and other receivables is \$1,919,159 and includes trade receivables with a fair value of \$495,662. The gross contractual amount of trade receivables due is \$495,662. No provision was raised against trade receivables for contractual cash flows not expected to be collected.

**(d) Acquisition related costs**

The Group did not incur any material costs relating to the PEXA Acquisition. These were borne by the Group's shareholders directly.

**25. Information Relating to Torrens Group Holdings Pty Ltd (The Parent)**

	<b>2019</b>
	<b>\$</b>
Current assets	3,223,797
Total assets	1,705,141,718
Current liabilities	86,851,017
Total liabilities	86,851,017
Issued share capital	1,618,632,403
Retained earnings	(363,064)

The Parent had no commitments as at 30 June 2019.

## **Directors Declaration**

In accordance with a resolution of the directors of Torrens Group Holdings Pty Ltd, I state that:

In the opinion of the directors:

- (a) The financial statements and associated notes set out on pages 10 to 45 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 2019 and performance for the period then ended; and
  - (ii) Complying with Australian Accounting Standards and *Corporations Regulations 2001*; and
  - (iii) complying with International Financial Reporting Standards as issued by the International Accounting Standards Board 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.

On behalf of the board



Mark Joiner  
Chairman  
21 May 2021