ANNUAL REPORT

2021

PEXA

PEXA Group Limited
ABN 23 629 193 764

Contents

2021 Annual General Meeting

10.00am (AEDT) on Friday, 19 November 2021

COMPANY HIGHLIGHTS

PEXA's 2021 financial year (FY21) results represent the Company's first as a listed company following its successful $3 billion Initial Public Offering (IPO) and Australian Securities Exchange (ASX) listing. The Company has delivered on its commitments, with FY21 Prospectus forecast revenue, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation), and key drivers met or exceeded. The positive property market conditions in the second half of FY21 have continued into the new financial year and support PEXA's reaffirmation of Prospectus forecasts for FY22.

$221M

REVENUE

Up 42% YoY and 1% on Prospectus FY21 forecast

3.3M

PEXA EXCHANGE TRANSACTIONS

Up 37% YoY and 1% on Prospectus FY21 forecast

$110M

PEXA EXCHANGE EBITDA[1]

Up 114% YoY and 2% on Prospectus FY21 forecast

80%

PEXA EXCHANGE TRANSFER MARKET PENETRATION

Up 14ppts YoY and in line with Prospectus FY21 forecast

50%

PEXA EXCHANGE EBITDA MARGIN[1]

Up 17 ppts YoY and in line with Prospectus FY21 forecast

89%

FREE CASH FLOW CONVERSION (BEFORE FINANCING AND TAX)[1]

Up 41ppts YoY and 10ppts on Prospectus FY21 forecast

($5M)

PRO FORMA NPAT[1]

In line YoY and with Prospectus FY21 forecast

8.7/10

BRAND TRUST RATING

Making PEXA the #1 trusted provider against peers *(PEXA Brand Research Wave 2, December 2020, Nature)*

($12M)

STATUTORY NPAT

Down ($12m) YoY and ($2m) below Prospectus FY21 forecast

84/100

GRESB RATING

The Global ESG Benchmark for Real Assets with PEXA ranking third within its global peer group

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1. Pro Forma EBITDA, NPAT, PEXA Exchange EBITDA Margin and Free Cash Flow Conversion – see page 22 for reconciliation between Pro Forma and Statutory financial results.

TRANSFORMING PROPERTY EXPERIENCES

About PEXA

These days, when Australians buy or sell a house, chances are the property settlement will happen online.

That's because back in 2010, PEXA began a journey that would ultimately change the way Australians buy and sell property.

Backed by a Council of Australian Governments initiative aimed at reducing inefficiencies, paperwork, and human error in the property settlement process, PEXA set to work modernising the $7-8 trillion residential property market.

Today, in collaboration with lawyers, conveyancers and financial institutions, PEXA continues its journey to transform property experiences for everyone.

As at 30 June 2021

$1.5T+

transacted safely via the PEXA Exchange since launch

650K+

property settlements and 320K+ refinances completed in FY21

9,400+

practitioner firms settling via the PEXA Exchange

160+

financial institutions settling via the PEXA Exchange

350+

employees globally

PEXA provides a digital property settlement solution

A world-first initiative

The PEXA Exchange is one of the only platforms in the world that lets you lodge documents with the land registry, and pay settlement funds at the same time. Robust, secure and fast, our superior property settlement experience is trusted by more than 9,400 legal and conveyancing firms and 160 financial institutions and underpinned by a culture of innovation, collaboration, and momentum.

Built by the industry, for the industry

Created in partnership with enterprising individuals from the government, banking, legal and conveyancing communities, PEXA meets the needs of various stakeholders, from lenders to homeowners. And because those needs are always changing, we collaborate with members wherever we can. In the last year alone, 88% of our platform enhancements came from member feedback.

Here to help you home

Today with more than 8 million transactions completed, PEXA helps approximately 20,000 homebuyers and sellers a week to safely settle on their home.

In addition to the PEXA Exchange, we are pursuing three growth initiatives:

PEXA International: seeks to replicate the success of the PEXA Exchange in Australia to develop digital property settlement solutions for offshore markets;

PEXA Insights: seeks to appropriately harness near real-time, accurate and comprehensive property data from the PEXA Exchange and other data sources to generate valuable data-driven insights and services for industry, government, consumers, and other stakeholders; and

PX Ventures: seeks to build on PEXA's digital and industry experience, innovative and entrepreneurial culture and established relationships to develop new business opportunities with partners for consumers, businesses and governments across the property sector.

A DEFINING YEAR FOR PEXA

AUSTRALIA'S PROPERTY SECTOR

JUL – OCT 2020
Significant COVID-19 lockdown in Victoria

3 AUG 2020
All eligible property transactions in South Australia move online

16 NOV 2020
97% of all property transactions are now completed electronically in Victoria

JULY 2020

NOV 2020

PEXA

14 JUL 2020
PEXA's People Experience team awarded HRD Innovative HR Teams 2020 for its Best Workplace Flexibility Program

11 SEP 2020
$1 trillion worth of property settled via the PEXA Exchange since launch

8 OCT 2020
PEXA Key wins the 2020 Australian Financial Review Most Innovative Companies – Best Service Innovation award and named second on the Most Innovative Companies – Technology list

1 NOV 2020
PEXA celebrates its 10th birthday

FEB – JUN 2021
Multiple ‘snap’ COVID-19 lockdowns across all major mainland states

5 MAR 2021
PEXA announces partnership with Homes for Homes to tackle homelessness in Australia

Proud partners of Homes for Homes

APRIL 2021

22 APR 2021
PEXA appoints global software consultancy ThoughtWorks as build partner to drive international expansion plans, starting with bringing digital settlements to the UK

23 APR 21
Queensland records highest quarterly property sales settlements since 2007

3 MAY 2021
Mark Joiner appointed new Chairperson of PEXA

5 MAY 2021
PX Ventures launches to foster innovation in the property ecosystem

17 JUN 2021
$1.5 trillion worth of property settled via the PEXA Exchange since launch

30 JUNE 21
East coast of Australia records significant year-on-year growth in property sales

JULY 2021

1 JUL 2021
PEXA lists on the Australian Securities Exchange

CHAIRPERSON'S LETTER

Welcome to our inaugural Annual Report as a publicly listed company.

Let me begin by thanking all of our team, our investors, our government and banking sponsors, and our legal and conveyancing partners for bringing the Company to this point. Today, PEXA operates a proprietary platform that facilitates around 80% of property transactions in Australia with a high degree of security, reliability and efficiency for all parties.

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

Management and the Board are well aware that these opportunities will need to be worked through in a systematic and disciplined manner, but we are excited nonetheless.

Our core business is strong and current market conditions remain favourable, despite the substantial challenges COVID-19 outbreaks have caused. Looking forward, we continue to see strong growth in PEXA Exchange revenue and earnings driven by increasing penetration rates, entry into remaining jurisdictions and current attractive Australian property fundamentals which support long-term growth in transaction volumes.

On behalf of the Board, I thank you for your ongoing support and investment in the Company. We take very seriously our obligations to you, our shareholders, as well as all stakeholders in PEXA and look forward to this next phase in the development of the Company.

Yours sincerely,

Mark Joiner
Chairperson

GROUP MANAGING DIRECTOR & CEO'S LETTER

It is with a genuine sense of pride that I present to you PEXA's first Annual Report following its successful Initial Public Offering (IPO) and listing on the Australian Securities Exchange.

I would like to thank all our stakeholders for their efforts and support in helping to bring PEXA to market, most importantly our passionate team.

PEXA performed strongly over FY21, with nearly all key metrics meeting or exceeding our Prospectus forecasts. PEXA Exchange volumes were up 37% to 3.3 million property transactions. Revenue grew by 42% year-on-year to $221.0 million and pro forma PEXA Exchange EBITDA grew 114% to $110.4 million.

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

In Australia, the PEXA Exchange platform facilitates property settlements for more than 160 financial institutions and 9,400 practitioner firms. During the 2021 financial year, around 80% of all property transactions in Australia were completed on the PEXA Exchange platform, and the platform achieved the milestone of facilitating $1.5 trillion in total transactions since inception.

Our ambition is to continue leading the transition from manual paper-based property settlements to digital property settlements in both Australia and globally, and while regulatory and execution risks exist, positive early progress has been made:

- Plans are moving forward for PEXA International's market entry in the UK targeting the launch of a re-mortgage product during the 2022 calendar year.
- PEXA Insights is continuing to develop a centralised Property Bureau to provide bespoke solutions and deliver property insights in partnership with other providers.

- PX Ventures is seeking to build on PEXA's digital and industry experience to pursue partnership opportunities across the property sector.

Supported by a sound balance sheet, we look forward to further progressing our growth initiatives in the coming year.

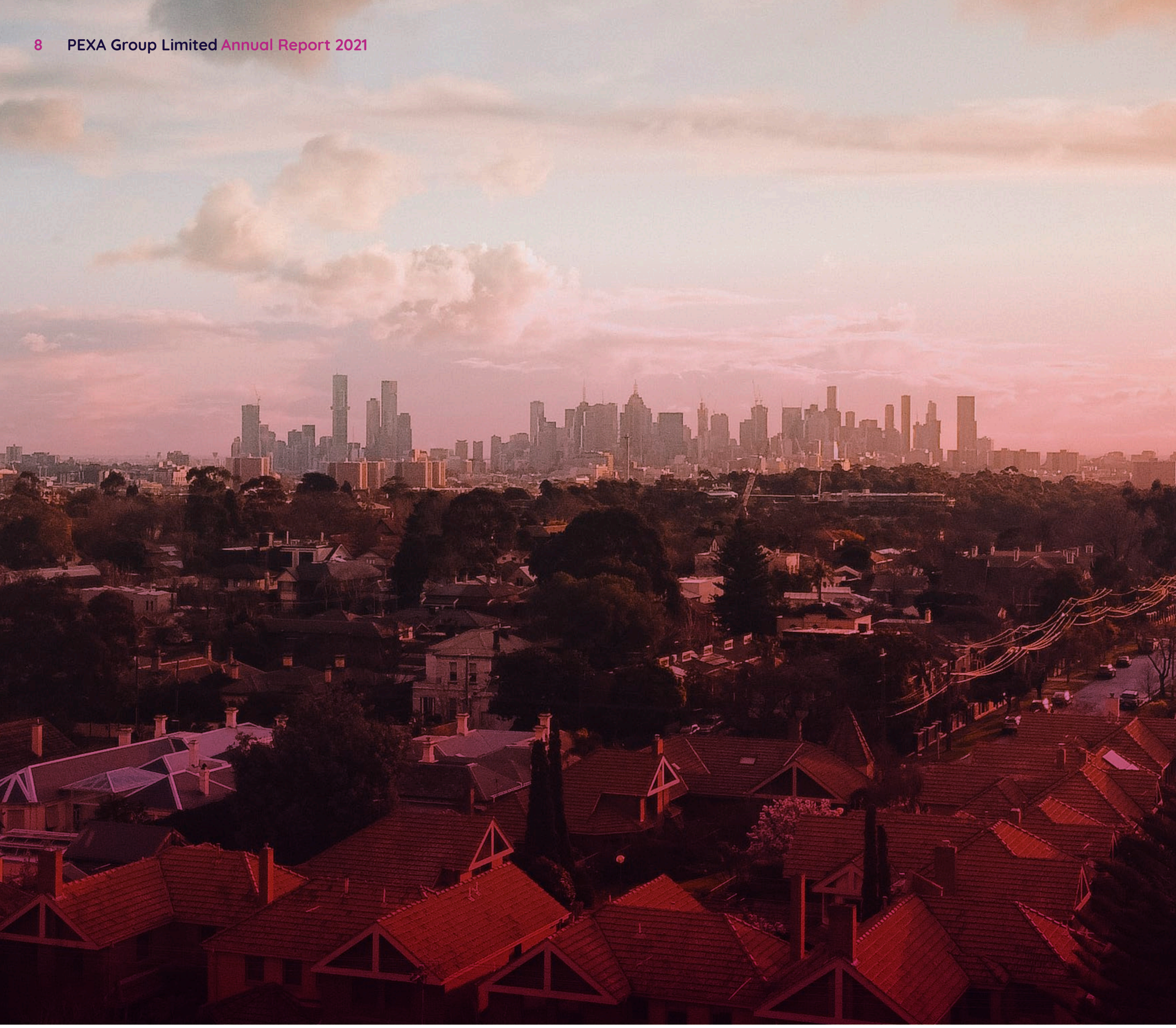
Current market conditions are attractive, notwithstanding the uncertainty created by COVID-19 and related lockdown restrictions, with 19% growth in total property market volumes between FY20 and FY21. These market conditions have continued into FY22, with July Exchange volumes up 53% on the same month in FY20.

With property market conditions currently favourable, and a strong start observed in the new financial year despite widespread COVID-19 lockdowns, we have reaffirmed our previous Prospectus forecasts for the 2022 financial year.

On behalf of the PEXA team I would like to thank our shareholders for their ongoing support, and look forward to continuing to grow our business for them, our team, our customers, and the communities within which we operate.

Yours sincerely,

Glenn King
Group Managing Director & CEO



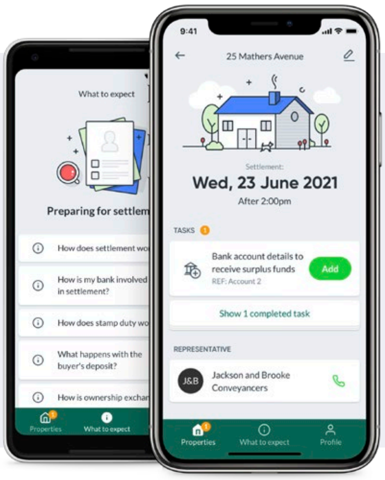
THE PEXA EXCHANGE

PEXA, through the PEXA Exchange, operates as an Electronic Lodgement Network Operator (ELNO) facilitating the electronic lodgement and settlement of property transactions through an integrated digital platform connecting key property market stakeholders.

The PEXA Exchange plays a critical role in the Australian property market by seeking to provide confidence and stability for all participants in a property transaction by facilitating secure, reliable and efficient digital settlement.

The platform is built around principles of high availability, reliability and security with the platform typically achieving greater than 99.9% availability every month.

PEXA supports the largest asset class in Australia, real property, servicing 80% of transfer transactions and more than 90% of refinancing transactions. Registered PEXA Exchange Subscribers total more than 9,400 practitioner firms and more than 160 financial institutions.



- **Almost 75,000** buyers and sellers used PEXA Key during FY21 to settle their property.
- User rating:
  Apple App Store rating of **4.2/5**, and a Google Play rating of **4.3/5** as at 4 May 2021.

Customer experience

PEXA Exchange offers its members and the homebuyers and sellers they represent a range of additional value-added tools. These include:

PEXA Plus: offers dashboards to summarise activity for practitioners and services from third party providers such as title searches and property council certificates in New South Wales and Victoria.

PEXA Projects: provides an efficient and simple way for property developers, large practitioner firms and panel law firms (representing developers) to manage multiple workspaces for multi-lot settlements.

During FY21, more than 4,000 'Projects' completed, resulting in the seamless, coordinated settlement of more than 67,000 properties.

PEXA Planner: provides a platform for financial institutions and large practitioner users that enables greater visibility of upcoming settlements in an aggregated, efficient view. As at 30 June 2021, three of the four largest Australian banks adopted PEXA Planner as a tool for property settlements. PEXA also welcomed 30 further subscribers in the form of other banks, panel practitioners and law firms.

PEXA Key: delivers consumers a mobile application that provides settlement tracking information to increase transparency for buyers and sellers, while also decreasing the risk of fraud by providing a mechanism to exchange financial information securely prior to settlement.

PEXA Tracker: provides a platform for financial institutions that enables frontline employees visibility on upcoming settlements, delivering a better experience for banking customers. As at 30 June 2021, more than 3,500 frontline bank employees across four financial institutions were using PEXA Tracker on a regular basis.

How does the PEXA Exchange generate revenue?

The PEXA Exchange generates revenue based on the volume and lodgement type of transactions. Fees are payable on completion of settlement, with the PEXA Exchange's transaction revenue collected from the proceeds of settlement. PEXA estimates that the total potential addressable market opportunity for the PEXA Exchange in Australia will be approximately $280 million[1] for calendar year 2021, based on its forecast of property transaction volumes and transaction types and the PEXA Exchange's prices.

PEXA charges its subscribers per successful PEXA Exchange transaction.

PEXA does not charge set-up fees or subscription costs. PEXA groups its PEXA Exchange transactions into three categories:

Transfer lodgements: dealings connected to the transfer of a property title or sales transfer, and any associated discharges and mortgages in conjunction with the property transfer and other ownership transfers such as inheritance and family law matters.

Refinancing lodgements: dealings connected to the refinance of a debt facility secured by a mortgage, but which are not connected to a sales transfer and involve a discharge of an existing mortgage replaced by a new mortgage.

Other lodgements: other dealings lodged, either alone or together, but which are not connected to a transfer lodgement or a refinance lodgement such as a 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.

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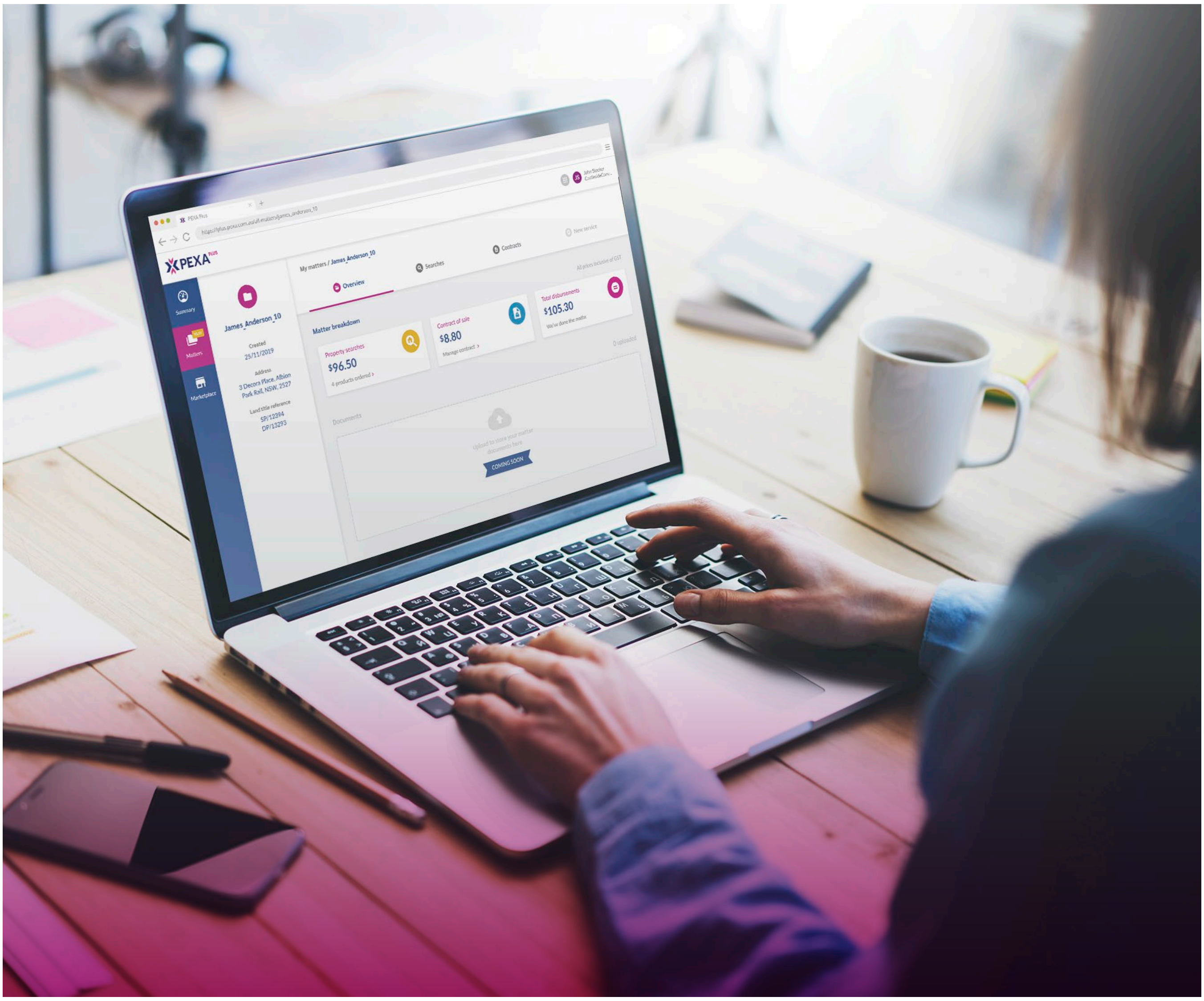
[1] Based on PEXA pricing schedule and estimated transaction volume for CY21 from BIS Oxford Economics.



A lodgement can lead to multiple dealings (and searches of the Register). The number of dealings that can be processed electronically determines the number of transactions for which an ELNO can charge a fee (billable transactions).

In addition to PEXA Exchange transactions, PEXA offers a service for ordering and renewing the digital signing certificates it provides.

Under the Model Operating Requirements, the PEXA Exchange has a pricing policy that allows for price adjustments based on CPI and regulatory input cost changes.

How many transactions are processed through the PEXA Exchange?

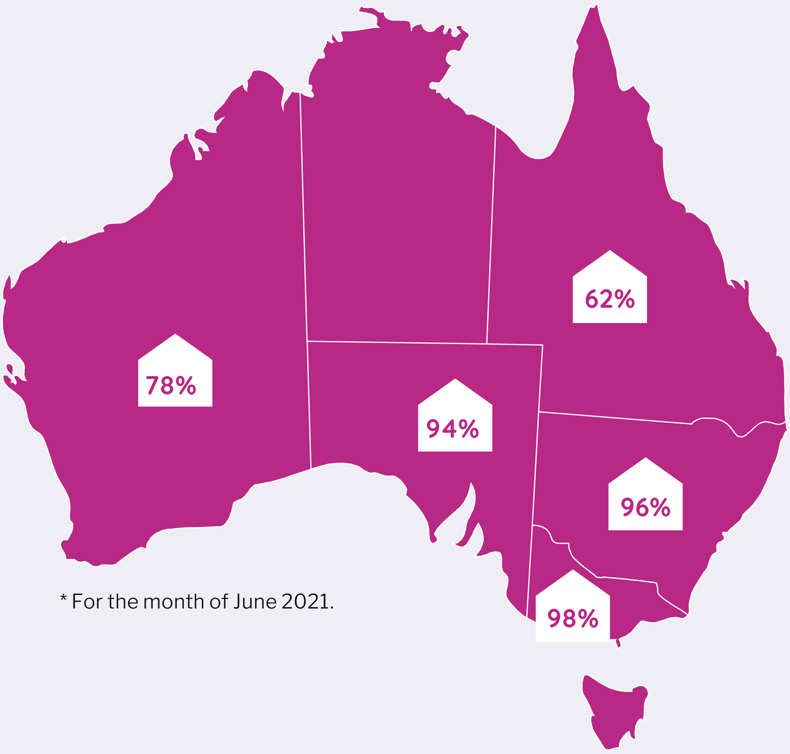
The PEXA Exchange transaction volumes have grown from approximately 10,000 transactions per month in December 2015 to more than 340,000 transactions per month in June 2021, supported by new transaction types and jurisdictions.

In FY21, PEXA completed more than 3.3 million PEXA transactions with a property settlement value of more than $700 billion.

AUSTRALIA'S LEADING ELECTRONIC LODGEMENT NETWORK OPERATOR (ELNO)

80%+

Estimated transfer market penetration in all jurisdictions (active and inactive)



* For the month of June 2021.

FY21 transactions completed

In FY21 over 650k settlements and over 320k mortgage refinancing transactions were completed

Users

- 9,400+ practitioner firms
- 160+ financial institutions
- 1M+ consumers

Integrated systems with

- 6 Land Titles Offices (LTOs)
- 5 State Revenue Offices (SROs)
- Reserve Bank of Australia
- 11 Software Providers

Organic growth plans

- Direct team driving organic uptake in QLD
- Roadmap in place to expand WA addressable transactions
- Launching in ACT in FY22

australian service excellence awards csia 2020 service champion

australian service excellence awards csia 2020 winner

WE MADE THE AFR BOSS MOST INNOVATIVE COMPANIES LIST! 2020

PLANTING THE SEEDS FOR NEW HORIZONS

PEXA believes its current experience, capabilities and relationships present a range of opportunities for it to bring digital property settlement solutions to new jurisdictions and expand into adjacent products and services offerings. PEXA embarked on pursuing these opportunities through three initiatives: PEXA International, PEXA Insights, and PX Ventures.

PEXA International

As a leading proven digital property settlements platform that completes both lodgement and settlement, PEXA is committed to expanding to other jurisdictions, particularly those with similar Torrens land title systems.

PEXA has chosen the UK (through England and Wales) as the first jurisdiction for its international expansion. A management presence has been established in the UK, and throughout the financial year PEXA has built its capability with both local hires and subject matter expert secondments from the Australian business.

Partnering with global software consultancy, ThoughtWorks, PEXA has progressed the design and build of the new platform, with a UK re-mortgage product on track to be launched during the 2022 calendar year, with a larger sale and purchase product to follow in 2024.

As of 30 June 2021, PEXA has secured commitments from a group of lenders to participate in product testing as part of the critical Bank of England integration, and is progressing positive engagement with government, regulators, trade associations and the land registry with the intention to build long term, collaborative relationships.

East Coast Property and Mortgage Insights report

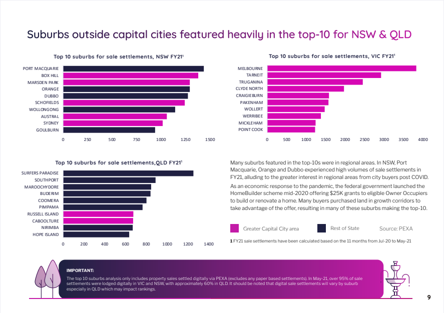
PEXA Insights has released two Property and Mortgage Insights reports. The reports provide unique insights into property settlement and mortgage trends across the east coast, analysing metropolitan vs regional, residential vs commercial, growth in lending, and the performance of lenders.

The east coast end-of-financial-year report, released in June 2021, generated significant media and stakeholder interest, featuring in all of Australia's mainstream news media outlets across print, online and broadcast (50 media mentions in total).

PEXA Property and Mortgage Insights Report—East Coast

FINANCIAL YEAR 2021

PEXAInsights



Suburbs outside capital cities featured heavily in the top-10 for NSW & QLD

Many suburbs featured in the top-10s were in regional areas. In NSW, Port Macquarie, Orange and Dubbo experienced high volumes of sale settlements in FY21, alluding to the greater interest in regional areas from city buyers post COVID.

As an economic response to the pandemic, the federal government launched the HomeBuilder scheme mid-2020 offering $25K grants to eligible Owner Occupiers to build or renovate a home. Many buyers purchased land in growth corridors to take advantage of the offer, resulting in many of these suburbs making the top-10.

Source: PEXA

[1] FY21 sale settlements have been calculated based on the 11 months from Jul-20 to May-21

IMPORTANT:
The top 10 suburbs analysis only includes property sales settled digitally via PEXA (excludes any paper based settlements). In May-21, over 95% of sale settlements were lodged digitally in VIC and NSW, with approximately 60% in QLD. It should be noted that digital sale settlements will vary by suburb especially in QLD which may impact rankings.

PX Ventures' first investment

honey

Honey Insurance

PX Ventures' first investment was made to support Honey Insurance, an up-and-coming Australian-born company looking to deliver 'smart home insurance designed for the modern life'.

PEXA Insights

With PEXA playing a role in more than 300,000 property transactions a month, a wealth of property and transaction data is captured through the PEXA Exchange, constituting a uniquely comprehensive near real-time data set. PEXA Insights has the opportunity to compete with existing property data market analysts, developing both an expert thought leadership position for property trends, and a reputation for bespoke products to meet the changing needs of its stakeholders. With a new Chief Data and Analytics Officer appointed and 40+ data specialists supporting the initiative, the PEXA Insights' team is currently building a Property Bureau and is actively testing products including MyView and a Mortgage Collateral Monitor with customers.

PX Ventures

PX Ventures builds on PEXA's industry experience, entrepreneurial culture and established relationships with key industry stakeholders to develop new business opportunities with partners for consumers, businesses, and governments across the property sector.

An early initiative sees PX Ventures and Small Business Australia working collaboratively to offer additional services to PEXA Members as part of a 'Business Advantage' program. This includes:

- Helping practitioner members run their businesses, ensuring that they get the support they need;
- Mentoring support, sharing PEXA's learnings in building and running efficient businesses, enabling its practitioner members to access the benefits of a large corporate enterprise on a budget; and
- Driving loyalty to the PEXA brand through the provision of additional services that extend beyond the traditional lodgement and financial settlement value proposition.

In addition, the PX Launchpad, launched in May 2021, targets start-ups that have identified and developed a product or service that can significantly transform the experience of Australian consumers, businesses or government departments involved in the property sector. Eligible ventures will receive tailored acceleration services worth up to $100,000 to scale and commercialise their product and service offerings.

OUR PURPOSE:
TRANSFORMING PROPERTY EXPERIENCES FOR EVERYONE

TRUST	OUR PEOPLE	ESG
Innovate for good.	Better together.	Make it happen. Make it count.

OUR PEOPLE AND CULTURE

PEXA employs more than 350 talented individuals on fixed-term, contract or casual basis.

#togetherapart

People are core to PEXA's success. As a digital company, the ability to work virtually was always an option and FY21 merely confirmed the power of being a digitally enabled business, with our people able to transition to remote working overnight without any impact to service standards.

PEXA's culture of collaboration and connectivity has burgeoned through this period with virtual team building sessions, company-wide events, weekly bootcamps, virtual meditation sessions and leadership programs all highly utilised alongside new communication tools.

Learning Excellence in Practice

2021 BEST PLACES TO WORK WRK+

HRD INNOVATIVE HR TEAMS 2020

HRD Innovative Teams 2021

Engagement

PEXA employees are passionate about our vision – to transform property experiences for everyone – a sentiment reflected in the 2020 Culture Amp survey where employees delivered an overall engagement score of 84/100.

Today 94% of employees say that they feel trusted to work in a way that suits them and their team, and they are able to arrange time out of work when they need to.

A focus on wellbeing and family

PEXA partnered with The Resilience Project to deliver emotionally engaging programs, including a tailored online workshop to help build wellbeing and resilience strategies for employees. As part of its focus on wellness, PEXA offers its teams subsidised gym memberships, access to free online bootcamps, yoga and meditation sessions as well as a confidential Employee Assistance Program that provides access to free counselling sessions with qualified professionals.

Leadership development

PEXA offers bespoke development plans for every employee as part of its commitment to employee growth. In early 2020, PEXA launched DARE, a program designed to equip our people leaders with the right tools to bring out the best in themselves and the teams they oversee.

In FY21, PEXA announced a financial contribution of $1,000 for all employees towards their learning goals. The emphasis on people is further strengthened with quarterly meetings with the executive team, focused on succession planning, learning and development for critical talent and roles, and talent retention programs.

In 2020, PEXA launched its very first graduate program, welcoming six new graduates to the business. PEXA was ranked in the top 100 best graduate places to work. Pleasingly, all graduates have moved on to permanent roles within the business.

Diversity and inclusion

At PEXA, we believe we're better together and that means embracing diversity within the workplace, advocating for change, driving progress, and supporting inclusion. PEXA's Diversity and Inclusion slogan, 'Be You', embodies its mission for everyone to bring their whole selves to work every day.

PEXA's Diversity and Inclusion committee is guiding our journey, defining what it means to belong and making this vision a reality. Activities are divided into six pillars; LGBTQI+, Reconciliation, Disability & Wellness, Gender, Flexibility and Cultural & Linguistics.

Focusing on gender balance in the organisation, PEXA introduced gender balanced shortlists, 50/50 interview panels, values-based interview templates and a recruitment guideline to support hiring managers and interviewers in the recruitment process.

Today, PEXA's diverse team has a 44-56 female-male gender split and our Executive Leadership team has a 45% female representation.

In periodic engagement surveys, PEXA consistently scores above 90% favourable with respect to employees' pride to work for the organisation.

Note: this photo was taken prior to COVID-19 lockdowns.

OUR COMMITMENT TO SUSTAINABILITY

Environmental, Social and Corporate Governance (ESG) is much more than an intention at PEXA. For us it is about taking proactive action to positively impact the lives of our people, our communities, and our planet.

We feel it is only right that our ESG focus areas are transparent, tangible, achievable and committed publicly.

Environmental commitments

The actions PEXA takes now are critical to creating a sustainable future. The Company looks at impact across our waste management, energy consumption and greenhouse gas emissions.

PEXA has a clear ambition to become a net zero emission company.

As a first step, in FY21 PEXA completed an inaugural greenhouse gas emissions inventory to understand baseline emission levels. In combination with waste tracking reporting, PEXA now has a comprehensive benchmark from which to set tangible targets. Over the next three years, PEXA aims to deliver:

- A minimum 10% reduction offset in year-on-year greenhouse gas emissions
- A pathway to become net zero
- Annual greenhouse gas emission reporting

Social impact

For PEXA, making an impact is about collaborating with community-based partners to positively shape the lives of our people and those in our communities who need it most.

It makes sense that PEXA's first shared value partnership is with Homes for Homes. After all, PEXA spends its days focused on getting people into their homes, and tackling homelessness is an important and necessary extension of that work.

Expanding our program to include SisterWorks

PEXA kicked off its first mentorship program with SisterWorks, an entity focussed on empowering female refugees, asylum seekers and migrants by generating work and entrepreneurship opportunities.

Proud partners of

Homes for Homes

Homes for Homes is a social enterprise – backed by The Big Issue – that aims to help end homelessness in Australia through the creation of sustainable and affordable housing. This is done primarily through donations, where property owners choose to contribute 0.1% of the sale price of the property when it sells. The funds are pooled and disbursed to community housing providers to increase the supply of homes to those in need.

PEXA and Homes for Homes began working together in 2016. Between 2021 and 2022, PEXA will be granting at least $250,000 to Homes for Homes via a national grant disbursement program that is designed to help increase housing supply for those who need it most.

Note: this photo was taken prior to COVID-19 lockdowns.

Ethical governance

By having the right processes, policies and procedures in place, PEXA ensures that it is never complacent – continuously challenging itself to deliver its ESG commitments. PEXA's position on Modern Slavery and Responsible Sourcing – for example – are ones it takes very seriously and is proud to have published them during the last financial year.

Our ethical governance provides the structure that enables us to deliver our ESG commitments for our people, communities, and planet.

To deliver lasting value, our ESG approach is integrated through our business strategy and enterprise risk management system.

Evaluating our impact

PEXA is a proud member of The Global ESG Benchmark for Real Assets (GRESB) and completes a GRESB assessment each year to ensure its progress is reviewed against global sustainability standards and consistently building on its commitments.

More than 120 institutional and financial investors use GRESB data and benchmarks to monitor their investments and make decisions that lead to a more sustainable real asset industry.

84/100

GRESB 2020 Outcome

BOARD OF DIRECTORS

The Directors bring to the Board relevant experience and skills, including industry and business knowledge, financial management and corporate governance experience.

Mark Joiner
Independent Chairperson

- Mark is an experienced director of listed companies, currently serving as a Non-executive Director of Latitude Financial Services and Chairman of QBE Insurance Group Limited's Australian and New Zealand subsidiaries. He has also held multiple directorships at NAB Group subsidiaries, including Clydesdale Bank Plc and JBWere.
- Mark served as Executive Director of Finance for NAB Group; CFO and Head of Strategy and M&A for Citigroup's global wealth management business in New York; and Associate Director of Australian Ratings (now Standard & Poor's). He also has 15 years of experience as a management consultant at Boston Consulting Group including as Senior Vice President, Global Head of Corporate Development.
- Mark is a Chartered Accountant and holds an MBA from the Melbourne Business School.

Glenn King
FIPAA, *Group Managing Director and Chief Executive Officer*

- Glenn is the Group Managing Director and Chief Executive Officer.
- Before joining in late 2019, Glenn was a senior public servant in the New South Wales (NSW) Government, including leading the Premier's Implementation Unit as Deputy Secretary of Department Premier and Cabinet, and the first Chief Executive Officer of Service NSW. Most recently, he was the NSW Customer Service Commissioner and Secretary of the NSW Government's Department of Customer Service.
- Glenn also has over 25 years of international experience in Financial Services. As a senior executive at the National Australia Bank Group he led product, marketing, distribution, and operations divisions across its portfolio in Australia, New Zealand, Scotland, England and Ireland.
- Glenn has been an Executive at Save the Children Australia, held numerous Business Advisory and Community Board roles, and was appointed a Fellow of the Institute of Public Administration Australia for outstanding contribution to study or practice of public administration.
- Glenn has a BCom (Honours) from Deakin University, a Post Graduate Diploma in Business Administration from Swinburne University, as well as completing programs at both the University of Adelaide and Harvard Kennedy School.

Vivek Bhatia
Non-Executive Director and Link Group Nominee Director

- Vivek is the current Managing Director and Chief Executive Officer of the Link Group.
- Vivek has over 20 years of experience in financial services, government and management consulting. Prior to joining Link Group, Vivek was Chief Executive Officer of the Australia Pacific division of QBE Insurance Group Ltd, and the inaugural Chief Executive Officer and Managing Director of iCare (Insurance and Care NSW).
- Prior to this, Vivek co-led the Restructuring and Transformation (RTS) practice at McKinsey & Company across Asia Pacific and held senior executive roles at Wesfarmers Insurance, including responsibility for leading the Australian underwriting businesses of Lumley, WFI and Coles Insurance as CEO, Wesfarmers General Insurance Limited (WGIL).
- Vivek holds an undergraduate degree in engineering, a post graduate degree in business administration and is a CFA (ICFAI).

Dr Kirstin Ferguson
Independent Non-Executive Director

- Kirstin is an experienced director of publicly listed companies and she currently serves as a Non-executive Director on the board of Envato.
- Kirstin has also previously sat on the boards of CIMIC Ltd, SCA Property Group Ltd and EML Payments Ltd, and has held roles on the boards of significant unlisted entities including as Deputy Chair of the Australian Broadcasting Corporation and she served as a Non-executive Director of Hyne and Son Pty Ltd, Sunwater Ltd and a number of non-profit organisations.
- Kirstin was formerly the CEO of Sentis Pty Ltd and the Director of Corporate Services at Deacons (now Norton Rose Fulbright). Kirstin began her career as an Officer in the Royal Australian Air Force.
- Kirstin has a PhD in leadership, corporate culture and governance as well as a Bachelor of Laws (with Honours) from Queensland University of Technology (QUT) and a Bachelor of Arts (with Honours) from the University of New South Wales Canberra. Kirstin has been an Adjunct Professor of the QUT Business School since 2015.

John Hawkins
Non-Executive Director and Link Group Nominee Director

- John is currently one of Link Group's two nominee directors on the PEXA Board.
- Prior to listing, John served as the Chair of the TGH Risk Management & Audit Committee and a member of the TGH Remuneration, Nomination & People Committee.
- John is currently a Non-Executive Director of Specialised Container Holdings Pty Ltd.
- John has over 30 years' commercial, mergers and acquisition, accounting and financial experience from various roles with Optus, Perpetual Limited and KPMG (Australia and the United Kingdom). For 18 years until his executive retirement in 2019, John was the Chief Financial Officer of Link Group.
- John is a Chartered Accountant and holds a Bachelor of Science (Computer Science) and a Bachelor of Commerce from The University of Queensland.

Paul Rickard,
Non-Executive Director and Commonwealth Bank of Australia Nominee Director

- Paul served as a non-executive Director of PEXA from November 2011 to November 2018, joining the Board about twelve months after the company's formation.
- Paul is an experienced director of listed companies, currently serving as a Non-executive Director of Tyro Payments Limited and WCM Global Growth Limited. At Tyro, he is the Chair of the Audit Committee and the Chair of the Risk Committee.
- He has more than 30 years' experience in the financial service industry. He was a senior executive with the Commonwealth Bank of Australia for over 15 years, and was the founding Managing Director of CommSec.
- Paul was named 'Stockbroker of the Year' and admitted to the Industry Hall of Fame in 2005.
- Paul holds a Bachelor of Science degree in Mathematics and Computer Science from the University of Sydney, and a Diploma in Financial Planning from RMIT University.

Melanie Willis
Non-Executive Director

- Melanie has extensive experience as a non-executive director, including Challenger Limited (ASX: CGF) since December 2017, Southern Cross Austereo (ASX: SXL) since May 2016 and the Australia Pacific division of QBE Insurance Group Ltd since September 2020. Melanie was previously a Non-executive Director of Mantra Group and Pepper Group, Chief Executive Women and Chair of the Education Committee of the 30% Club. Melanie also serves as a Non-executive Director of PayPal Australia.
- Melanie has held executive roles as CEO of NRMA Investments (and head of strategy and innovation), CEO of a financial services start-up and director of Deutsche Bank and has previously worked in corporate finance at Bankers Trust and Westpac.
- Melanie previously chaired the audit and risk committee at Mantra and was a member of the audit committee at Pepper Group. She currently chairs the risk committee and is a member of the audit committee at Challenger, chairs the audit committee and remuneration committee at PayPal Australia, chairs the risk committee at QBE AusPac, and chairs the audit and risk committee at Southern Cross Austereo.
- Melanie has a Bachelor of Economics from the University of Western Australia and Masters of Taxation from Melbourne University.

MANAGEMENT COMMENTARY

Management Commentary

This commentary is designed to assist shareholders in understanding PEXA's business performance and the factors underlying its results and financial position. This commentary should be read in conjunction with the financial disclosures included in the Financial Report of the Annual Report.

The period of commentary covers 1 July 2020 to 30 June 2021 (FY21), including the comparative prior period and includes pro forma numbers for FY21 and FY20 prepared on the same basis as presented in the IPO Prospectus. The pro forma adjustments in FY21 and FY20 reflect:

- the removal of the cost of the IPO (offer costs);
- the addition of standalone public company costs; and
- the close out costs for the Management Equity Plan (MEP).

Due to these changes, management have included PEXA's year on year financial performance on a pro forma basis in addition to the statutory basis so that meaningful analysis can be provided. A reconciliation from pro forma to statutory results is included in section 1.2.

1. Overview of Financial Results

PEXA delivered a year of strong growth in key financial measures with pro forma Revenue, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) and NPBT (Net Profit Before Tax) for FY21 exceeding FY21 Prospectus forecasts, and all improved on FY20. This performance is underpinned by strong revenue growth combined with prudent expense management.

Table 1 contains a high-level view of PEXA's pro forma financial results. A detailed analysis of this performance is provided. Table 2 contains a high-level view of PEXA's statutory financial results for comparison.

Table 1: Pro forma financial results

A$M; Year ended 30 June	2021	2020	v 2020	FY21 Prospectus Forecast	v Prospectus Forecast
Revenue	221.0	155.6	42%	218.5	1%
PEXA Exchange EBITDA	110.4	51.6	114%	108.2	2%
EBITDA	101.8	45.3	124%	99.7	2%
NPBT	(0.7)	(15.1)	-95%	(2.4)	-70%
NPAT	(4.9)	(4.5)	10%	(4.6)	7%

Table 2: Statutory financial results

A$M; Year ended 30 June	2021	2020	v 2020	FY21 Prospectus Forecast	v Prospectus Forecast
Revenue	221.0	155.6	42%	218.5	1%
PEXA Exchange EBITDA	116.9	57.9	102%	114.7	2%
EBITDA	94.4	51.7	83%	94.7	0%
NPBT	(8.1)	(8.8)	-8%	(7.4)	9%
NPAT	(11.8)	(0.0)	n.m	(9.8)	20%

Management Commentary

1.1 NPAT Result

Pro forma NPAT (Net Profit/Loss After Tax) was a loss of ($4.9) million, broadly in line with the pro forma result for FY20 of ($4.5) million loss and slightly below the Prospectus forecast of ($4.6) million loss. The pro forma adjustments for FY21 and FY20 are reconciled to the statutory result in Table 3. The driver of lower NPAT against the pro forma result for FY20 was primarily increased NPBT (Net Profit/Loss Before Tax), offset by a higher P&L tax charge.

1.2 Reconciliation from Pro forma to Statutory EBITDA and NPAT

Table 3: Reconciliation of statutory to pro forma NPAT and EBITDA

A$M; Year ended 30 June	Note	2021	2020	v 2020	FY21 Prospectus Forecast	v Prospectus Forecast
Statutory EBITDA		**94.4**	**51.7**	**83%**	**94.7**	**0%**
Offer costs	1	8.2	–	n.m	5.9	40%
Incremental public company costs	2	(6.5)	(6.3)	3%	(6.5)	0%
MEP close out costs	3	5.7	–	n.m	5.7	0%
Pro Forma EBITDA		**101.8**	**45.3**	**124%**	**99.7**	**2%**
Statutory NPAT		**(11.8)**	**(0.0)**	**n.m**	**(9.8)**	**20%**
Offer costs	1	8.2	–	n.m	5.9	40%
Incremental public company costs	2	(6.5)	(6.3)	3%	(6.5)	0%
MEP close-out costs	3	5.7	–	n.m	5.7	0%
Tax effect of adjustments	4	(0.5)	1.9	-127%	0.2	-357%
Pro Forma NPAT		**(4.9)**	**(4.5)**	**10%**	**(4.6)**	**7%**

Notes to Table 3:

1. Total transaction costs relating to the IPO were estimated at the time of the IPO to be $50.4 million, of which $8.5 million (before tax) were directly attributed to the issue of new Shares and were offset against equity raised in the Offer. The remaining $41.9 million (before tax) relates to the sale of existing Shares by the Selling Shareholders and are treated as an expense (within Offer costs), incurred across FY21, FY22 and post FY22.
2. Incremental public company costs represent an estimate of the additional costs PEXA will incur as a public company. The additional public company costs include additional audit, tax and legal costs, insurance costs, Board costs, investor relations, listing fees, share registry fees, annual general meeting and annual report costs. These pro forma adjustments have been applied retrospectively from FY20.
3. The Management Equity Plan (MEP) was established in January 2020 with the first grant issued in July 2020. As a result of the Offer, the MEP vesting was accelerated, resulting in $5.7 million of incremental cost recorded in the Statutory Income Statement in FY21. Taking this pro forma adjustment into account, the Pro Forma FY21 Income Statements reflect the ongoing cost of the MEP in FY21 as though the Offer had not occurred.
4. Represents the income tax effect of pro forma adjustments of Notes 1-3.

1.3 Pro forma Revenue, Cost of Sales and Gross Profit

Table 4: Pro forma revenue, cost of sales and gross profit

A$M; Year ended 30 June	2021	2020	v 2020	FY21 Prospectus Forecast	v Prospectus Forecast
Revenue	221.0	155.6	42%	218.5	1%
Cost of sales	(29.3)	(23.0)	27%	(29.4)	0%
Gross profit	**191.7**	**132.6**	**45%**	**189.0**	**1%**
Gross margin %	*86.7%*	*85.2%*	*1.5%*	*86.5%*	*0.2%*

PEXA's pro forma FY21 gross profit grew at 45 per cent from FY20, driven by a 42 per cent increase in revenue and a 27 per cent increase in cost of sales.

PEXA's pro forma FY21 revenue grew at 42 per cent from FY20, driven by:

- market volumes increasing by 0.67 million transactions, or 19 per cent, from 3.55 million in FY20 to 4.22 million in FY21, which equates to an increase in revenues of $30.3 million;
- PEXA's market share increasing by 11 per cent of the total addressable market, resulting in 3.33 million PEXA Exchange transactions completed in FY21, an uplift of 0.91 million on the 2.42 million PEXA Exchange transactions in FY20. This equates to a revenue increase of $29.2 million; and
- average pro forma revenue per PEXA Exchange transaction increased from $63.47 in FY20 to $65.74 in FY21, which equates to a revenue increase of $5.5 million.

The increase in pro forma cost of sales of $6.3 million, or 27 per cent, from $23.0 million in FY20 to $29.3 million in FY21, was driven by the PEXA Exchange transaction volume growth during the period. The average pro forma cost of sales per transaction decreased from $9.51 in FY20 to $8.82 in FY21 and pro forma gross margin percentage increased slightly from 85.2 per cent in FY20 to 86.7 per cent in FY21.

PEXA's pro forma FY21 gross profit was 1 per cent above FY21 Prospectus forecast, driven by a 1 per cent increase in revenue and broadly flat cost of sales.

The 1 per cent increase in pro forma revenue compared to Prospectus forecast was driven by:

- market volumes increasing by 0.04 million transactions, or 1 per cent, from 4.18 million in the Prospectus forecast to 4.22 million in FY21, which equates to an increase in revenues of $2.3 million;
- PEXA's market share increasing by 0.2 per cent of the total addressable market, resulting in 3.33 million PEXA Exchange transactions completed in FY21, an uplift of 0.05 million on the 3.28 million PEXA Exchange transactions in the Prospectus forecast. This equates to a revenue increase of $0.6 million; and
- average pro forma revenue per PEXA Exchange transaction decreased from $65.91 in the Prospectus forecast to $65.74 in FY21, which equates to a revenue decrease of $0.6 million.

The decrease in pro forma cost of sales ($0.1) million, or 0.3 per cent, from $29.4 million in the Prospectus forecast to $29.3 million in FY21 was driven by the PEXA Exchange transaction volume growth during the period offset by lower costs per transaction. The average pro forma cost of sales per transaction decreased from $8.97 in the Prospectus forecast to $8.82 in FY21 and pro forma gross margin percentage increased slightly from 86.5 per cent in the Prospectus forecast to 86.7 per cent in FY21.

Management Commentary

1.4 Pro forma Operating Expenses

Table 5: Pro forma operating expenses

A$M; Year ended 30 June	2021	2020	v 2020	FY21 Prospectus Forecast	v Prospectus Forecast
Product design and development	(23.2)	(21.7)	7%	(22.7)	2%
Sales and marketing	(20.1)	(21.9)	-8%	(20.1)	0%
General and administration	(38.0)	(37.4)	2%	(38.1)	0%
Operating expenses	**(81.3)**	**(81.0)**	**0%**	**(80.9)**	**1%**

PEXA's pro forma FY21 operating expenses were 0.4 per cent higher than FY20 and were 0.5 per cent above FY21 Prospectus forecast.

The increase in pro forma operating expenses from prior year was primarily driven by:

- Pro forma product design and development expenses increasing by $1.5 million, or 7 per cent, from $21.7 million in FY20 to $23.2 million in FY21, primarily as a result of increased resource expenses and platform hosting costs driven by higher PEXA Exchange volumes.
- Pro forma sales and marketing expenses decreasing by $1.8 million, or 8 per cent, from $21.9 million in FY20 to $20.1 million in FY21, due to the reduced spend on travel and customer events as a result of COVID-19 restrictions.
- Pro forma general and administration expenses increasing by $0.6 million, or 2 per cent, from $37.4 million in FY20 to $38.0 million in FY21, driven by salary increases and higher bank charges driven by higher Exchange volumes.

The increase in pro forma operating expenses compared to Prospectus forecast was primarily driven by:

- Pro forma product design and development expenses increasing by $0.5 million, or 2 per cent, from $22.7 million in the Prospectus forecast to $23.2 million in FY21, primarily as a result of higher platform hosting costs due to higher PEXA Exchange volumes.
- Pro forma sales and marketing expenses were in line with Prospectus forecast.
- Pro forma general and administration expenses were in line with Prospectus forecast.

1.5 Pro forma PEXA Exchange EBITDA

Table 6: Pro forma PEXA Exchange EBITDA

A$M; Year ended 30 June	2021	2020	v 2020	FY21 Prospectus Forecast	v Prospectus Forecast
Gross Profit	191.7	132.6	45%	189.0	1%
Operating Expenses	(81.3)	(81.0)	0%	(80.9)	1%
PEXA Exchange EBITDA	**110.4**	**51.6**	**114%**	**108.2**	**2%**
PEXA Exchange EBITDA Margin	*50.0%*	*33.2%*	*16.8%*	*49.5%*	*0.4%*

As well as EBITDA (see section 1.6), PEXA also reports PEXA Exchange EBITDA and PEXA Exchange EBITDA margin, as management believes that PEXA Exchange EBITDA and PEXA Exchange EBITDA margin better reflect the operating performance and cash generation potential of PEXA's core business prior to the impact of project and related expansion costs and non-PEXA Exchange related costs.

PEXA's pro forma FY21 PEXA Exchange EBITDA was $110.4 million, up 114 per cent against the FY20 pro forma result, reflecting 45 per cent gross profit growth (see section 1.3) combined with broadly flat operating costs (see section 1.4).

PEXA's pro forma FY21 PEXA Exchange EBITDA was 2 per cent above the FY21 Prospectus forecast, with both gross profit and operating expenses 1 per cent above FY21 Prospectus forecasts.

This resulted in a year-on-year improvement in PEXA Exchange EBITDA Margin (PEXA Exchange EBITDA as a percentage of revenue) of 16.8 percentage points to 50.0 per cent, 0.4 percentage points above FY21 Prospectus forecast.

1.6 Pro forma EBITDA

Table 7: Pro forma EBITDA

A$M; Year ended 30 June	2021	2020	v 2020	FY21 Prospectus Forecast	v Prospectus Forecast
PEXA Exchange EBITDA	**110.4**	**51.6**	**114%**	**108.2**	**2%**
Project and expansion-related costs	(6.5)	(2.1)	205%	(6.5)	1%
Other non Exchange-related costs	(2.1)	(4.1)	-49%	(2.0)	3%
Total non Exchange-related costs	**(8.6)**	**(6.2)**	**38%**	**(8.5)**	**1%**
EBITDA	**101.8**	**45.3**	**124%**	**99.7**	**2%**

PEXA's pro forma FY21 EBITDA was $101.8 million, up 124 per cent against the FY20 pro forma result, and 2 per cent above the FY21 Prospectus forecast.

The growth from FY20 reflects a 114 per cent growth in PEXA Exchange EBITDA (see section 1.5) and 38 per cent growth in project, expansion and other non Exchange-related costs. The variance to Prospectus forecast reflects 2 per cent higher PEXA Exchange EBITDA and 1 per cent higher project, expansion and other non Exchange-related costs.

PEXA's pro forma FY21 total non-Exchange related costs were up 38 per cent from FY20 and were 1 per cent above FY21 Prospectus forecast.

Project and expansion related costs increased by $4.4 million, or 205 per cent, from $2.1 million in FY20 to $6.5 million in FY21 as expenditure on new business initiatives starts to ramp up. International expansion expenditure was $4.5 million in FY21, up from $1.2 million in FY20 while PEXA Insights spend in FY21 increased by $1.2 million to $2.0 million compared to $0.8 million in FY20.

Other non-PEXA Exchange costs decreased by $2.0 million from $4.1 million in FY20 to $2.1 million in FY21. The decrease in other non-PEXA Exchange costs was driven by a $3.2 million reduction in redundancy and restructure costs, partially offset by an increase of $0.6 million in non-recurring professional fees relating to the debt refinancing of shareholder loans and a $0.6 million increase in the accounting cost of the Management Equity Plan (MEP).

Management Commentary

Project and expansion related costs were broadly in line with Prospectus forecast, with International expansion costs $0.1 million lower than forecast and PEXA Insights spend $0.1 million higher.

Other non-PEXA Exchange costs were $0.1 million higher than Prospectus forecast, driven by slightly higher than forecast redundancy costs.

1.7 Pro forma Other Expenses below EBITDA

Table 8: Pro forma other expenses below EBITDA

A$M; Year ended 30 June	2021	2020	v 2020	FY21 Prospectus Forecast	v Prospectus Forecast
EBITDA	**101.8**	**45.3**	**124%**	**99.7**	**2%**
Depreciation	(2.4)	(2.4)	1%	(2.2)	11%
Amortisation	(7.1)	(3.4)	110%	(6.6)	6%
EBITA	**92.3**	**39.6**	**133%**	**90.9**	**2%**
Acquired amortisation	(56.6)	(56.7)	0%	(56.8)	0%
EBIT	**35.8**	**(17.0)**	**-310%**	**34.1**	**5%**
Net finance income/(expense)	(36.5)	1.9	n.m	(36.5)	0%
NPBT	**(0.7)**	**(15.1)**	**-95%**	**(2.4)**	**-70%**
Income tax benefit/(expense)	(4.2)	10.6	-140%	(2.2)	92%
NPAT	**(4.9)**	**(4.5)**	**10%**	**(4.6)**	**7%**

Other expenses below EBITDA primarily relate to depreciation and amortisation of capitalised R&D, amortisation of acquired intangibles, funding costs and tax.

Depreciation was in line with FY20 and slightly ahead of Prospectus forecast.

Amortisation increased by 110 per cent from FY20 due to increased levels of capitalised Research and Development, and was slightly ahead of Prospectus forecast.

Amortisation of acquired intangibles was in line with FY20 and the Prospectus forecast.

Net finance income/(expense) was a cost of $36.5 million in FY21 compared to an income of $1.9 million in FY20, due to the implementation of shareholder loans which accrued interest from July 2020. It was in line with Prospectus forecast.

Income tax benefit/(expense) was an expense of $4.2 million in FY21 compared to a benefit of $10.6 million in FY20. This movement was primarily due to an increase in non-allowable expenditure in FY21 and a deferred tax adjustment on in-house software in FY20. See note 6 in the Financial Report for more details.

2. Balance Sheet

Table 9: Summary Balance Sheet

	Actual Statutory		Pro Forma	
A$M; As at	**30 Jun 21**	**30 Jun 20**	**30 Jun 21**	**31 Dec 20**
Current assets				
Cash and cash equivalents	51.5	70.4	51.5	8.1
Other current assets	33.1	23.0	33.1	15.9
Total current assets	**84.6**	**93.4**	**84.6**	**24.0**
Non-current assets				
Intangible assets & goodwill	1,517.3	1,558.3	1,517.3	1,536.8
Other non-current assets	11.2	10.9	11.2	9.9
Total non-current assets	**1,528.5**	**1,569.2**	**1,528.5**	**1,546.6**
Total assets	**1,613.1**	**1,662.6**	**1,613.1**	**1,570.6**
Current liabilities				
Trade and other payables	49.9	30.2	49.9	16.2
Shareholder loans	193.0	–	–	–
Other current liabilities	6.7	5.0	6.7	5.4
Total current liabilities	**249.6**	**35.2**	**56.6**	**21.6**
Non-current liabilities				
Borrowings	297.4	–	297.4	332.4
Other non-current liabilities	34.3	31.0	34.3	15.9
Total non-current liabilities	**331.7**	**31.0**	**331.7**	**348.3**
Total liabilities	**581.3**	**66.2**	**388.3**	**369.9**
Net assets	**1,031.8**	**1,596.4**	**1,224.8**	**1,200.7**
Equity				
Contributed equity	1,058.2	1,618.6	1,271.2	1,257.4
Reserves	7.6	–	7.6	–
Accumulated losses	(34.0)	(22.2)	(54.1)	(56.7)
Total equity	**1,031.8**	**1,596.4**	**1,224.8**	**1,200.7**

The statutory balance sheet as at 30 June 2021 reflects the PEXA Group just before the IPO, whereas the pro-forma balance sheet as at 30 December 2020 (as reflected in the prospectus) assumes the capital structure in place post-IPO, as does the pro forma balance sheet as at 30 June 2021.

Management Commentary

The movements in the audited statutory FY21 and FY20 balances are as follows:

- The cash balance has decreased by $19 million due to strong cash generation during FY21 offset by the partial repayment of shareholder loans pre-listing.
- The net current asset position (current assets less current liabilities) is negative on 30 June 2021 due to the $193 million of shareholder loans remaining post the 30 June 2021 refinancing. These were repaid from the proceeds of the primary raise on 1 July 2021.
- Intangible assets have reduced during FY21 due to continued amortisation of existing balances.
- External debt of $300 million (less $2.6 million of debt raising fees) was put in place on 30 June 2021 to fund the repayment of shareholder loans and provide PEXA with an appropriate post-IPO capital structure.
- Contributed equity decreased due to the replacement of a portion of equity with shareholder loans during FY21.

The movement in the pro forma balance sheet from 30 December 2020 (as shown in the prospectus) and pro forma 30 June 2021 are as follows:

- The cash balance has increased by $43 million due to the strong cash generation in the second half of the financial year.
- The net current asset position is positive due to the cash balance being greater than trade and other payables.
- Intangible assets have reduced due to continued amortisation of existing balances.
- The pro forma 30 December 2020 balance sheet assumed a full draw down of the $335 million external debt facility. On 30 June 2021 only $300 million (less $2.6 million of debt raising fees) was drawn.
- Contributed equity is broadly in line with the 31 December 2020 balance.

2.1 Cash Flow

Table 9: Pro forma cash flow

A$M; Year ended 30 June	2021	2020	v 2020	FY21 Prospectus Forecast	v Prospectus Forecast
EBITDA	**101.8**	**45.3**	**124%**	**99.7**	**2%**
Non-cash items in EBITDA	0.6	–	n.m	0.6	0%
Changes in working capital	10.8	(4.5)	-342%	2.4	351%
Operating cash flow before capex	**113.2**	**40.9**	**177%**	**102.7**	**10%**
Acquisition of intangible assets	(22.6)	(18.9)	20%	(22.5)	1%
Acquisition of PP&E	(0.5)	(0.2)	98%	(1.2)	-60%
Free cash flow before financing and tax	**90.1**	**21.8**	**314%**	**79.0**	**14%**
Interest received	0.7	2.5	-74%	0.7	-1%
Interest paid	(3.7)	–	n.m	(3.3)	13%
Payment of finance lease liabilities	(2.1)	(2.0)	9%	(2.0)	7%
Free cash flow	**84.9**	**22.3**	**281%**	**74.4**	**14%**
FCF conversion (before financing & tax)	*89%*	*48%*	*41%*	*79%*	*9%*

Pro forma cash conversion (before financing and tax) in FY21 was 89 per cent, ahead of both FY20 and FY21 Prospectus forecast due to higher levels of EBITDA and positive changes in net working capital.

Net pro forma free cash flow increased by $63.0 million, or 281 per cent, from FY20, and was up $10.9 million (15 per cent) from IPO forecast, driven by higher EBITDA and positive change in net working capital.

Change in net working capital was $8.4 million positive to IPO forecast, due to the timing of payment of IPO-related fees at the year end.

The majority of capital expenditure spend is Research and Development, which made up $22.0 million of $23.1 million total capex in FY21 (95 per cent) and accounted for $3.1 million of the $4.0 million capex growth year on year.

Pro forma interest paid was cash interest payments on shareholder loans in FY21. The shareholder loan interest rate was 4.15 per cent per annum with 10 per cent of interest payable on a quarterly basis and 90 per cent being accrued and capitalised.

2.2 Debt Levels

Table 10: Pro forma net debt

A$M; As at 30 June	2021	2020	v 2020	FY21 Prospectus Forecast[1]	v Prospectus Forecast
Interest bearing loans and borrowings	297.4	–	n.m	300.0	-1%
Cash and cash equivalents	(51.5)	(70.4)	-27%	(20.0)	158%
Net debt	**245.9**	**(70.4)**	**n.m**	**280.0**	**-12%**
Pro forma net debt/EBITDA	*2.23x*	*N/A*	*n.m*	*2.59x*	*0.36x*

Notes to Table 10:

1. A 30 June 2021 pro forma balance sheet was not provided in the Prospectus, however forecast pro forma net debt as at 30 June 2021 of $280 million was disclosed in the Key Offer Statistics section.

The financial covenants contained in the facility agreement have yet to be tested, however based on the figures above would show significant headroom. The financial covenants at any calculation date are Net Leverage Ratio and Interest Coverage Ratio.

3. FY22 Guidance

PEXA reaffirms its FY22 pro forma and statutory Prospectus Revenue, PEXA Exchange EBITDA, EBITDA and NPAT forecasts.

PEXA Group Limited (Formerly Torrens Group Holdings Limited)
ACN 629 193 764

FINANCIAL REPORT

for the year ended 30 June 2021

Contents

Directors' Report

Corporate information

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

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

Directors

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

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

Mark Joiner

(Independent Chairperson, appointed 3 May 2021)

Mark is an experienced director of listed companies, currently serving as a non-executive director of Latitude Group Holdings Limited (ASX: LFS) since April 2021 and Chairperson of QBE Insurance Group Limited's Australian and New Zealand subsidiaries. He has also held multiple directorships at NAB Group subsidiaries, including Clydesdale Bank Plc and JBWere.

Mark served as Executive Director of Finance for NAB Group, CFO and Head of Strategy and M&A for Citigroup's global wealth management business in New York, and Associate Director of Australian Ratings (now Standard & Poor's). He also has 15 years of experience as a management consultant at Boston Consulting Group including as Senior Vice President, Global Head of Corporate Development.

Mark is a Chartered Accountant and holds an MBA from the Melbourne Business School.

John Hawkins

(Non-executive Director, appointed 4 October 2018)

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

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

John is currently a Non-Executive Director of Specialised Container Holdings Pty Ltd.

John has over 30 years' commercial, mergers and acquisition, accounting and financial experience from various roles with Optus, Perpetual Limited and KPMG (Australia and the United Kingdom). For 18 years until his executive retirement in 2019, John was the Chief Financial Officer of Link Group.

John is a Chartered Accountant and holds a Bachelor of Science (Computer Science) and a Bachelor of Commerce from The University of Queensland.

Directors' Report

Glenn King

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

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

Glenn also has over 25 years of international experience in Financial Services. As a senior executive at the National Australia Bank Group, he led product, marketing, distribution, and operations divisions across its portfolio in Australia, New Zealand, Scotland, England, and Ireland.

Glenn has been an Executive at Save the Children Australia, held numerous Business Advisory and Community Board roles, and was appointed a Fellow of the Institute of Public Administration Australia for outstanding contribution to study or practice of public administration. He has a BCom (Honours) from Deakin University, a Post Graduate Diploma in Business Administration from Swinburne University, as well as completing programs at both the University of Adelaide and Harvard Kennedy School.

Dr Kirstin Ferguson

(Independent, appointed 11 June 2021)

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

She currently sits on the board of technology company Envato (since 2021).

Kirstin has also previously sat on the board of CIMIC Ltd and has held roles on the boards of significant unlisted entities including Deputy Chair of the Australian Broadcasting Corporation and she served as a non-executive director of Hyne and Son Pty Ltd, Sunwater Ltd and a number of non-profit organisations.

Kirstin was formerly the CEO of Sentis Pty Ltd and the Director of Corporate Services at Deacons (now Norton Rose Fulbright). Kirstin began her career as an Officer in the Royal Australian Air Force.

Kirstin has a PhD in leadership, corporate culture and governance as well as a Bachelor of Laws (with Honours) from Queensland University of Technology (QUT) and a Bachelor of Arts (with Honours) from the University of New South Wales Canberra. Kirstin has been an Adjunct Professor of the QUT Business School since 2015.

Melanie Willis

(Independent, appointed 11 June 2021)

Melanie has extensive experience as a non-executive director, including Challenger Limited (ASX: CGF) since December 2017, Southern Cross Austereo (ASX: SXL) since May 2016 and the Australia Pacific division of QBE Insurance Group Ltd since September 2020. Melanie was previously a non-executive director of Mantra Group and Pepper Group, Chief Executive Women and Chair of the Education Committee of the 30% Club. Melanie also serves as a non-executive director of PayPal Australia.

Melanie has held executive roles as CEO of NRMA Investments (and head of strategy and innovation), CEO of a financial services start-up and director of Deutsche Bank and has previously worked in corporate finance at Bankers Trust and Westpac.

Melanie previously chaired the audit and risk committee at Mantra and was a member of the audit committee at Pepper Group. She currently chairs the risk committee and is a member of the audit committee at Challenger, chairs the audit committee and remuneration committee at PayPal Australia, chairs the risk committee at QBE AusPac, and chairs the audit and risk committee at Southern Cross Austereo.

Melanie has a Bachelor of Economics from the University of Western Australia and Masters of Taxation from Melbourne University.

Vivek Bhatia

(Non-executive Director, appointed 11 June 2021)

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

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

Vivek has over 20 years of experience in financial services, government and management consulting. Prior to joining Link Group, Vivek was Chief Executive Officer of the Australia Pacific division of QBE Insurance Group Ltd, and the inaugural Chief Executive Officer and Managing Director of iCare (Insurance and Care NSW).

Prior to this, Vivek co-led the Restructuring and Transformation (RTS) practice at McKinsey & Company across Asia Pacific and held senior executive roles at Wesfarmers Insurance, including responsibility for leading the Australian underwriting businesses of Lumley, WFI and Coles Insurance as CEO, Wesfarmers General Insurance Limited (WGIL).

Vivek holds an undergraduate degree in engineering, a postgraduate in business administration and is a CFA (ICFAI).

Paul Rickard

(Non-executive Director, appointed 11 June 2021)

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

Paul served as a non-executive director of PEXA from November 2011 to November 2018, joining the Board about 12 months after the company's formation.

Paul is an experienced director of listed companies, currently serving as a non-executive director of Tyro Payments Limited (ASX: TYR) from August 2009 and WCM Global Growth Limited (ASX: WQG) from April 2017. At Tyro, he is the Chair of the Audit Committee and the Chair of the Risk Committee.

He has more than 30 years' experience in the financial service industry. He was a senior executive with the Commonwealth Bank of Australia for over 15 years, and was the founding managing director of CommSec.

Paul was named 'Stockbroker of the Year' and admitted to the Industry Hall of Fame in 2005.

Paul holds a Bachelor of Science degree in Mathematics and Computer Science from the University of Sydney, and a Diploma in Financial Planning from RMIT University.

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

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

Directors' Report

Company Secretary

Ian Gilmour

FGIA, FCG(CS,CGP), FAICD

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

Registered office

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

Auditors

Ernst & Young
8 Exhibition Street, Melbourne Vic 3000

Directors' Meetings

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

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

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

Members acting on the committees of the Board are:

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

Directors' Interests in Shares

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

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

Significant changes in the state of affairs and future developments

Initial Public Offering (IPO)

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

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

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

Directors' Report

Operating and Financial Review

The purpose of this section is to:

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

Principal Activities and PEXA Overview

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

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

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

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

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

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

PEXA Exchange Business Model

The PEXA Exchange generates revenue based on the volume and lodgement type of transactions. Fees are payable on completion of settlement, with PEXA Exchange's transaction revenue collected from the proceeds of settlement. PEXA anticipates that the growth in PEXA Exchange revenue in future years may be impacted by four key drivers:

- Market volume of billable transactions: The number of property transactions and refinancing is a function of the broader property market, which is largely influenced by population size, household size, technological innovation, government stimulus and other economic conditions.
- Market share: The PEXA Exchange currently captures approximately 80 per cent of all potential billable transactions in Australia. Digital property settlements are available in the five largest jurisdictions in Australia (New South Wales, Victoria, Queensland, Western Australia and South Australia). Future market share growth will come from additional digital adoption in Queensland, enhanced digital settlement coverage in Western Australia and enablement of new jurisdictions over time.
- Pricing: PEXA Exchange's pricing policy provides for price adjustments for inflation and for regulatory and input cost changes.

- Customer tools: PEXA Exchange has a number of customer tools (PEXA Plus, PEXA Projects, PEXA Planner, PEXA Key and PEXA Tracker) to assist and enhance Subscribers' interaction with the PEXA Exchange.

PEXA Exchange and COVID-19

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

Between February 2020 and June 2021, the PEXA Exchange increased its transfer market share substantially in both recently mandated and non-mandated States, most notably the PEXA Exchange:

- increased market share in South Australia to 94 per cent in June 2021 (up from 24 per cent in February 2020), a State that had only just begun the transition to digital property settlements pre-COVID-19; and
- increased market share in Queensland to 62 per cent in June 2021 (up from 9 per cent in February 2020), a market that does not currently have mandated digital property settlements.

Additional Strategic Growth Initiatives

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

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

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

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

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

- **PEXA International:** As a leading operational digital property settlements platform that completes both lodgement and settlement, PEXA will seek to bring digital property settlement solutions to other jurisdictions, particularly those with similar Torrens land title systems, based on PEXA's experience in the Australian market (with regulators, practitioners and financial institutions) in the development of those solutions. PEXA is working on an 'international' version of its PEXA Exchange platform that is intended to provide a digital property settlement solution for new jurisdictions. PEXA has chosen the UK (through England and Wales) as the first jurisdiction for its international expansion. It has established a management presence in the UK, is developing relationships with key stakeholders and is working towards potentially commencing a pilot of an initial re-mortgaging solution in 2022.

Directors' Report

- **PEXA Insights:** The PEXA Insights initiative stems from the recognition that the wealth of property and transaction data captured through the PEXA Exchange constitutes a uniquely comprehensive near real-time data set. The PEXA Insights team is in the early stages of developing products and services that appropriately leverage PEXA's property data, together with third party data, to generate innovative data solutions for this market.
- **PX Ventures:** PX Ventures aims to build on PEXA's digital and industry experience, innovative and entrepreneurial culture and established relationships to develop new business opportunities with partners for consumers, businesses and governments across the property sector. PEXA may pursue opportunities itself but is also likely to enter into partnerships and joint ventures and invest in other businesses.

To date, PEXA has commenced the investment in its team, capabilities, and infrastructure to support these potential strategic growth initiatives and address the possible available market opportunities. PEXA will leverage insights and experience from previous product offering and plans to invest in these potential strategic growth initiatives in the future.

Proactively Managed Risks

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

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

  PEXA proactively engages with its regulators across Australia and has commenced engagement in the UK. PEXA has a dedicated team led by a Chief Regulatory Officer which participates across a range of policy and implementation forums, working with regulators to identify issues and shape solutions. PEXA regularly makes formal submissions and participates in working groups to contribute and optimise outcomes for our subscribers, their clients and our shareholders.
- **Competition, interoperability and market structure risks:** Establishing interoperability may subject PEXA to additional risks, including the risk of disruption to its normal operations through making the necessary changes to its platform and processes, additional implementation costs, and the diversion of the time and attention of management and technical employees. It may also introduce new competition risks, systems availability and cyber security risks to PEXA. PEXA's market position is also affected by general competitive factors. The market in Australia for digital property settlement services is rapidly evolving and PEXA may face additional competition.

  Governments in Australia are advancing a multi-year agenda to establish interoperability as a means to intensify competition. PEXA is playing a constructive role, focussed on ensuring continuity of secure and stable e-conveyancing services for our subscribers. PEXA has helped shape the model, develop the technical specifications, advised on security standards, kept industry informed and made submissions to inform on the development of the new regulatory framework.
- **IT and system security risks:** Key IT and system security risks include: 1) Cyber security and fraud; 2) Business disruption and system failures and 3) Reliance on third party technology systems and processes and IT suppliers.

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

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

  PEXA monitors property lead indicators (such as property listings and private sales/auctions) closely to ensure it can manage the future impact to property settlements. The strength of the market during recent COVID-19 lockdowns and positive impact to PEXA noted above also limits exposure. PEXA management and Board monitor the progress of its growth initiatives with funding for future investment predicated by achieving specific milestones.

Review of Financial Conditions

			Variance	
Summary Income Statement A$M; Year ended 30 June	**FY21**	**FY20**	**$**	**%**
Revenue	221.0	155.6	65.4	42%
COGS[1] + Operating Expenses	(104.1)	(97.7)	(6.4)	7%
PEXA Exchange EBITDA[2]	**116.9**	**57.9**	**59.0**	**102%**
Non-Exchange-related costs	(22.5)	(6.2)	(16.3)	261%
EBITDA[3]	**94.4**	**51.7**	**42.7**	**83%**
Depreciation and Amortisation	(66.0)	(62.4)	(3.6)	**6%**
Net finance income/(expense)	(36.5)	1.9	(38.4)	**n.m**
Net Profit/(Loss) Before Tax (NPBT)	**(8.1)**	**(8.8)**	**0.7**	**–8%**
Income tax benefit/(expense)	(3.7)	8.8	(12.5)	n.m
Net Profit/(Loss) After Tax (NPAT)	**(11.8)**	**(0.0)**	**(11.8)**	**n.m**

Notes to Summary Income Statement

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

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

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

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

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

Cost of goods sold and operating expenses grew by 7 per cent from FY20, including a 27 per cent ($6.3 million) growth in cost of sales, driven by higher Exchange volumes, and a 0.2 per cent ($0.1 million) increase in operating expenses, driven by CPI increases offset by lower sales, marketing, travel and entertainment expenses due to COVID-19 lockdowns during FY21. This resulted in a 102 per cent ($59.0 million) increase in PEXA Exchange EBITDA to $116.9 million in FY21.

Directors' Report

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

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

Capital Structure

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

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

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

Outlook

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

Dividends

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

Rounding of amounts

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

Options over unissued shares

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

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

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

Matters subsequent to the end of the year

Initial Public Offering (IPO)

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

COVID-19

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

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

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

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

Environmental Issues

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

Indemnifying Officers

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

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

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

Insurance of Officers

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

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

Directors' Report

Indemnification of auditors

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

Non-Audit Services

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

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

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

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

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2021 has been received and can be found on page 43.

Proceedings on Behalf of Group

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

Signed in accordance with a resolution of the Directors.

Mark Joiner

25 August 2021

Auditor's Independence Declaration

EY
Building a better working world

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

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

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b. No contraventions of any applicable code of professional conduct in relation to the audit.

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

ERNST & YOUNG

Ernst & Young

Christopher Reid
Partner
Melbourne
25 August 2021

Remuneration Report

Contents

1. Letter from Remuneration, Nomination and People Committee Chair

PEXA Group Limited (PEXA) marked a significant milestone with our listing on the Australian Securities Exchange (ASX) on 1 July 2021. On behalf of the Board, I am pleased to introduce the company's inaugural Remuneration Report.

The purpose of this report is to describe PEXA's approach to remuneration for Executive Key Management Personal (KMP's) and Non-Executive Directors and to set out the links between PEXA's remuneration framework, business strategy, performance and reward. Remuneration outcomes are reported for the full financial year ending 30 June 2021. Given this is the first Remuneration Report for PEXA comparative data will not be included until the 2022 Remuneration Report.

Group performance

FY21 was a year both challenging and rewarding. The outbreak of COVID-19, which commenced in early 2020 in Australia, created a downturn in economic activity in Australia driven largely by social distancing and lockdown measures, which in turn impacted property transaction volumes. However, market trends have improved significantly following the short-term property market downturn in April and May 2020. The COVID-19 pandemic lockdowns and social distancing accelerated certain state government initiatives to mandate electronic conveyancing, with the availability of the PEXA Exchange helping to ensure the industry could manage the disruption caused by the pandemic.

Therefore, there was an improved performance on key metrics in FY21 from FY20:

- PEXA Exchange volumes increased from 2.4 million to 3.3 million
- Revenue increased by $65.4 million, to $221.0 million
- PEXA Exchange statutory EBITDA increased by $59.0 million to $116.9 million

PEXA did not seek or receive government COVID 19 assistance, such as JobKeeper, during the financial year.

The board deliberated on Short Term Incentive (STI) Key Performance Indicator (KPI) outcomes given the unusual COVID-19 environment. Though PEXA benefited from a buoyant housing market, the management team's initiatives of a strong focus on financial performance including market share in the states, maintaining and enhancing PEXA's member and customer experience (including increased net promoter results), focus on risk and audit items, and evolving employee engagement and an innovative culture, capitalised on this opportunity to achieve excellent results. On review, the Remuneration, Nomination and People Committee and the Board were satisfied that STI awards in accordance with KPI achievements were a valid reflection of underlying management performance.

FY21 Remuneration

PEXA FY21 executive KMP remuneration was comprised of fixed remuneration, an STI opportunity and a Long Term Incentive opportunity (LTI). To ensure management had sufficient shareholder alignment there was provision for a LTI being the Management Equity Plan (MEP), that vested in full on 30 June 2021 as a consequence of the IPO and converted to ordinary shares (subject to escrow arrangements). Some shares were also sold by individual participants to repay limited recourse loans and associated tax obligations.

Similarly, as part of the IPO, there was provision made for a Director equity grant of shares for the efforts in the preparation and completion of the Company's IPO, subject to escrow. This was made available to independent Non-Executive Directors.

Executive KMP and Non-Executives Directors participated in the Employee and Director Offer associated with the IPO. The offer entitled executive KMP (other than Glenn King) and Non-Executive Directors a 1:4 Matching Share.

Remuneration Report

Executive KMP scorecards comprises of 70% Company performance and 30% individual performance. Executive KMP achieved 82.5% of their STI scorecards. The Board considered the appropriateness of awarding the STI payout in the context of the pandemic and executive KMP performance. On balance, the Board exercised discretion to reduce the payment outcome by 5% on the proportion relating to company performance resulting in an overall outcome of 79%.

Looking forward

The FY22 remuneration framework will include fixed remuneration, STI, and the first grant of a Long Term Incentive as a listed company. To that end, the company will seek approval for a specific Managing Director grant to be made in FY22. Further details will be provided in our Notice of Meeting. The Board will also introduce an employee equity plan in FY22.

As disclosed in the prospectus, the Group Managing Director and Chief Executive Officer (CEO) Fixed Annual Remuneration (FAR) was adjusted to $925,000 from 11 June 2021.

On behalf of the Board, we recommend this report to you and welcome any feedback you may have.

Kirstin Ferguson

Dr Kirstin Ferguson

Chair of the Remuneration, Nomination and People Committee

23 September 2021

2. Remuneration Overview

<table>
<tr><th colspan="2">Key questions</th></tr>
<tr><td>1. What is the executive KMP remuneration structure in FY21?</td><td>
<table>
<tr><th></th><th>FAR</th><th>Maximum STI as % of FAR</th></tr>
<tr><td>Glenn King (Group Managing Director and CEO)</td><td>$675,000[1]</td><td>70%</td></tr>
<tr><td>Richard Moore (Chief Financial Officer (CFO))</td><td>$615,000</td><td>60%</td></tr>
<tr><td>Simon Smith[2] (Chief Operating Officer (COO))</td><td>$384,000</td><td>60%</td></tr>
</table>
<p>1. Group Managing Director and CEO Fixed Annual Remuneration increased to $925,000 from 11 June 2021.
2. Simon Smith is employed on a part-time basis. Fixed Annual Remuneration is pro-rated to reflect 30.4 working hours per week.</p>
<p>In addition, executive KMP participated in a Management Equity Plan (MEP), in which limited recourse loans were provided to them to acquire shares. This plan vested with the listing of the company.</p>
<p>The Board will introduce an employee equity plan in FY22 and a Group Managing Director & CEO LTI grant, subject to shareholder approval.</p>
</td></tr>
<tr><td>2. What is the FY21 STI payout to Executive KMP and why?</td><td>
<p>Company performance makes up 70% of the executive KMP scorecard and each executive KMP also has a 30% personal performance component. Individual goals are designed to be challenging and are linked to business strategy.</p>
<p>FY21 performance on the company Financial performance resulted in a 67% payout of maximum achievement as 2 of 3 financial measures were met. Other company performance conditions were fully met except for Member and Customer KPIs where 2.5 of 4 measures were met resulting in a 62.5% achievement of maximum for this component of company performance.</p>
<p>Each executive KMP also has a 30% individual performance component. Each executive KMP performed outstandingly and individual performance goals were fully achieved with 100% payout of maximum achievement.</p>
<p>The Board exercised discretion to reduce the final payout (see Question 3). The overall average executive KMP STI payout for FY21 is 79% of maximum.</p>
</td></tr>
<tr><td>3. Did the Board exercise discretion when considering Executive KMP awards in FY21?</td><td>
<p>Where a formulaic outcome of performance metrics is likely to produce a material and perverse remuneration outcome, or where it is in the best interest of shareholders for the Board to do so, the Board may consider exercising its discretion in determining awards.</p>
<p>The Board considered the formulaic outcome in the context of COVID-19 headwinds and the buoyant housing market tailwinds. After deliberation, a reduction of the company performance scorecard outcome by 5% was made to better reflect the Board's assessment of corporate performance.</p>
</td></tr>
<tr><td>4. Were there any remuneration reductions as a result of COVID-19?</td><td>PEXA did not seek government assistance in FY21. Given the resilience of the business and performance in FY21, no remuneration reductions were applied.</td></tr>
</table>

Remuneration Report

Remuneration Framework	
5. How does the Board set performance conditions	The Board focuses on performance conditions and hurdles on which it believes executives can create the best value for shareholders, are measurable and verifiable, and provide executives with meaningful and robust targets within PEXA's risk parameters. More details are provided at question 10 below and later in the report.
6. What portion of remuneration is at-risk	STI awards are based on performance and therefore at-risk. • 41% of the CEO's total remuneration package is at-risk • 38% of the CFO's and COO's total remuneration packages are at-risk. Percentage amounts exclude the MEP which was an at-risk component granted prior to listing and vesting on IPO which is included in the Statutory Table in Section 7.3.
7. Are there any malus or clawback provisions for incentives?	Consistent with unlisted company market standards, no malus or clawback provisions were applicable. However, these provisions will be considered by the Remuneration, Nomination and People Committee for future application.
8. Do all Board members, including Executive Directors, hold shares in PEXA?	Yes, all members of the PEXA board, including executive directors, hold shares in PEXA.
9. How is risk managed in the Remuneration Framework?	Individual executives must deliver risk and audit items (as determined by the Board) within the agreed timeframes, and risk and compliance training for the year must be completed. Failure to do so will result in zero STI outcome for an executive KMP. In addition, the financial outcomes achieved are subject to audited results prior to award approval. Risk management features as a KPI within the STI scorecard. FY22 will provide for an LTI to balance the STI. This will minimise any unintended consequences from just focussing on short term results.

Short Term Incentives (STI)	
10. What are the FY21 performance measures and why?	The FY21 performance measures are: **Company Performance (70% of the combined 100% below)** • Financial – 30% • Member and Customer – 40% • Risk – 10% • People and Innovation – 20% **Individual Performance (30%)** These performance measures were chosen as they are directly linked to PEXA's strategic objectives. A more detailed description is provided later in this remuneration report.
11. Are any STI payments deferred?	Yes. 70% of the STI is paid out in November of the performance year and 30% is paid the following November.
12. Are STI payments capped?	Yes. The CEO STI is capped at 70% of FAR. The CFO and COO STI is capped at 60% of FAR.
13. Have any adjustments, positive or negative, been made to STI payments?	Yes. Refer to Questions 2 and 3 answers above for more detail.

Long Term Incentives (LTI)

14. Is there an LTI plan in place for executives?	The MEP was in place during the year ended 30 June 2021 to allow management to acquire equity. MEP options vested and were exercised prior to the IPO. There were no other formal LTI plans whereby equity vested on achievement of longer term performance conditions during FY 21, while PEXA was a private company.

Executive Agreements

15. What is the maximum an Executive can receive on termination?	CEO 12 months, CFO 9 months and COO 6 months.

Board structure

16. How is the Board assessing the skills of NEDs to ensure appropriate and rigorous performance review?	PEXA aims to attract and retain a high calibre of NEDs who have the appropriate mix of skills and experience to exercise effective judgement. The Board reviews the skills matrix annually to maintain the skills and experience required effectively oversee the Company's governance.

Realised Remuneration

In addition to Statutory remuneration included in Section 7.3, **Realised** remuneration received by Executives in FY21 is displayed below. It includes fixed annual remuneration (FAR), non-monetary benefits and STI. Realised remuneration is a non-statutory measure and excludes the MEP granted prior to listing and vesting on IPO which is included in the Statutory Table in section 7.3 of the Remuneration Report. STI represents **initial** cash payments earned for FY21 performance (70% of the FY21 total award) and deferred STI for the FY20 performance (30% of the FY20 total award). It is included to complement the Statutory Remuneration disclosures and is considered a useful measure to illustrate the remuneration received by Executive KMP, excluding the vested and exercised MEP that resulted directly from the PEXA IPO.

Position	FAR	Non-Monetary Benefits	Cash STI payment	Total Realised Remuneration
Managing Director & CEO	$675,003[1]	$7,397	$354,791	$1,037,191
CFO	$615,013	$7,397	$249,693	$872,103
COO	$215,588	–	$74,323	$289,911

1. The CEO pay was increased to $925,000 on 11 June 2021.

3. Remuneration report overview

The directors of PEXA Group (PEXA or the Company) present the Remuneration Report (the Report) for the Company and its controlled entities for the year ended 30 June 2021. As PEXA was not an ASX listed entity at 30 June 2021, the Remuneration Report has been voluntarily prepared and audited in accordance with Section 300A of the *Corporations Act 2001* to ensure it meets best practice remuneration practices for ASX listed companies.

As this is the Company's first Remuneration Report as a listed entity, no comparative data is provided in the Report but will be included in the 2022 Remuneration Report.

The term "remuneration" has been used in this Report as having the same meaning as "compensation" as defined by AASB 124 "Related Party Disclosures".

For the purposes of this report, the term "Executives" means Executive Key Management Personnel (KMP) and therefore excludes Non-Executive Directors (NEDs).

4. Remuneration governance

4.1. PEXA's remuneration principles, policy and philosophy

The Board believes that the structure, design and mix of remuneration should, through the alignment of shareholder interests with those of a motivated and talented Executive, provide shareholders with the best value. At the same time, the Board recognises that it is important to have a remuneration approach that may be adjusted, as appropriate, to address:

- Industry trends and developments, as well as Executive remuneration and good governance practices; and
- Feedback from engagement with shareholders and other stakeholders.

In support of this philosophy, PEXA's remuneration policies are based around two key remuneration principles:

- Fairly reward and motivate Executives having regard to the external market, individual contributions to PEXA and overall performance of the Company; and
- Appropriately align the interests of Executives and Shareholders.

The Remuneration, Nomination and People Committee (the Committee) welcomes discussions with shareholders and key stakeholders on all remuneration related issues and where appropriate, will take these views into account in formulating PEXA's remuneration approach.

How remuneration decisions are made

Remuneration of all KMP is determined by the Board, acting on recommendations made by the Committee.

The Board and the Committee have absolute discretion when considering the awarding and vesting of STI opportunities to Executives. The purpose of preserving this discretion is to allow the Board to ensure remuneration amounts and structure are at all times appropriate and to prevent any unintended vesting of awards that would arise from a purely formulaic application of the metrics. Where a formulaic application of the metrics is likely to produce a material and perverse remuneration outcome, or where it is in the best interests of shareholders for the Board to do so, the Board may exercise its discretion in determining awards.

The Board is ultimately responsible for recommendations and decisions made by the Committee.

When determining awards for Executives, the Committee seeks to acknowledge material performance improvement in the period it was achieved where the Committee believes that Executives' interests are aligned with shareholders. Individual Executives do not participate in meetings where their own remuneration is being discussed by the Committee or Board. The CEO provided the Committee with his perspectives on fixed remuneration and STI performance outcomes for his direct reports.

4.2. Role of the Remuneration, Nomination and People Committee

To assist the PEXA Board in carrying out its responsibilities, the Board has established the Committee which has responsibility for reviewing, making recommendations to the Board, including the remuneration arrangements in place for the Non-Executive Directors and Executive KMP.

The Committee's responsibilities include, among other things:

- Review and make recommendations to the Board regarding the Company's remuneration policies and practices;
- Advising and making recommendations to the Board on the composition of the Board and its committees and the selection and appointment of directors to the Board and its committees;
- Advising and making recommendations to the Board on succession plans for the Board and ensuring there are plans in place to manage the succession of members of the senior management team;

- Advising and making recommendations to the Board on the ongoing evaluation of the performance of the Board, its committees and Directors;
- Assisting the Board with the oversight of a human resources strategy and supporting policies and practices for the Company's employees and Directors, and monitoring the implementation and effectiveness of the strategy, policies and practices; and
- Assisting the Board with the oversight of remuneration policies and practices for the Company's employees and Directors, and monitoring the implementation and effectiveness of the policies and practices.

A copy of the charter of the Committee is available on PEXA's website in the Corporate Governance section.

Committee Membership

Given the listing of PEXA on the ASX from 1 July 2021, there were a number of changes to the membership of the Committee during FY21.

Members of the Committee on 30 June 2021 were:

- Dr Kirstin Ferguson – Independent Non-Executive Director (Chair) (appointed 11 June 2021)
- Mark Joiner – Independent Non-Executive Director (appointed 3 May 2021)
- Melanie Willis – Independent Non-Executive Director (appointed 11 June 2021)
- Vivek Bhatia – Non-Executive Director (appointed 11 June 2021)

The following director was a member of the Committee during the year however ceased to be a member prior to 30 June 2021:

- John Hawkins (ceased 11 June 2021)

The following directors were members of the Committee during the year however ceased to be members on their resignation as a Director of the Company during FY21:

- David Singh – Non-Executive Director (resigned 11 June 2021)
- Dan O'Neill – Non-Executive Director (resigned 18 January 2021)
- Alan Cameron, AO – Non-Executive Director (resigned 3 May 2021)
- Janine Rolfe – Non-Executive Director (resigned 11 June 2021)
- Mark McLean – Non-Executive Director (resigned 11 June 2021)
- Tim Cooper – Non-Executive Director (resigned 11 June 2021)

External advisers and independence

The Committee may seek the advice of the Company's auditors, solicitors or other independent advisers, consultants or specialists as to any matter relating to the powers, duties or responsibilities of the Committee. The Committee did not seek or receive any remuneration recommendations from external advisers in FY21.

Remuneration Report

5. Key management personnel

KMP covered in this report are detailed below (see pages 18-19 for details of each director):

Table 1: Key Management Personnel

Name	Position Held	Since
Non-Executive Directors		
Mark Joiner	Independent Non-Executive Chairman	3 May 2021
Vivek Bhatia	Non-Executive Director and Link Group nominee director	11 June 2021
Dr Kirstin Ferguson	Independent Non-Executive Director	11 June 2021
John Hawkins	Non-Executive Director and Link Group nominee director	4 October 2018
Paul Rickard	Non-Executive Director and Commonwealth Bank of Australia nominee director	11 June 2021
Melanie Willis	Independent Non-Executive Director	11 June 2021
Former Directors		
David Singh	Non-Executive Director	From 18 January 2021 to 11 June 2021
Binh Tran	Alternate for D Singh	From 8 February 2021 to 11 June 2021
Dan O'Neill	Non-Executive Director	From 27 May 2019 to 18 January 2021
Andrew Maclachlan	Alternate for J Hawkins and J Rolfe	From 20 January 2020 to 20 April 2021
Alan Cameron, AO	Non-Executive Director	From 8 Feb 2019 to 3 May 2021
Janine Rolfe	Non-Executive Director	From 20 Jan 2020 to 11 June 2021
Mark McLean	Non-Executive Director	From 4 October 2018 to 11 June 2021
Tim Cooper	Non-Executive Director	From 16 January 2019 to 11 June 2021
Marc van't Noordende	Alternate for M Mclean and T Cooper	From 10 January 2019 to 11 June 2021
Executive Director		
Glenn King	Managing Director & Chief Executive Officer	14 October 2019[1]
Executives		
Richard Moore	Chief Financial Officer	15 January 2020
Simon Smith[2]	Chief Operations Officer	9 December 2020

1. Glenn King commenced as a director on 3 December 2019.
2. Simon Smith is employed part-time on 30.4 working hours per week.

6. Executive remuneration

6.1. Remuneration strategy

The principles of PEXA's Executive remuneration policy are to:

- Attract, retain and motivate capable and committed employees and directors;
- Align the Company's remuneration policies with the Company's purpose, values, strategic objectives and risk appetite;
- Be consistent with a 'pay for performance' culture within the Company;
- Ensure key performance indicators to monitor and reward the performance of the Managing Director and Chief Executive Officer and other Executive KMP's are measurable, and verifiable, contribute to sustainable value improvement and permit agility and responsiveness to value accretive opportunities that may arise; and
- Comply with all relevant legal and regulatory provisions.

6.2. Relationship with company performance

PEXA's approach to remuneration is based upon "Reward for Performance". Individual KMP Executive remuneration is differentiated based on various measures of corporate, business unit/function and individual performance.

The table below sets out information about the Company's earnings and movements in shareholder wealth the year ended 30 June 2021.

Company Performance	2021
Revenue ($'000)	221,046
(Loss) before tax ($'000)	(8,092)
(Loss) after tax ($'000)	(11,787)
Basic earnings per share (cents)	(8,54)
Diluted earnings per share (cents)	(8.54)
Dividends per share - paid during financial year (cents)	–
Share price at 30 June ($)[1]	–

[1] Upon listing on the ASX on 1 July 2021, the share price was $17.13.

6.3. Remuneration Framework

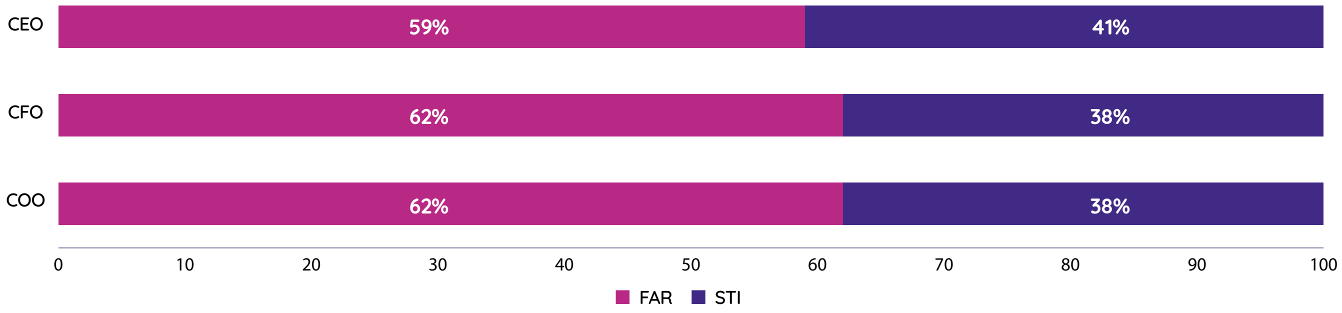
The figure below illustrates the pay mix at maximum outcomes for the following components of PEXA's Executive KMP remuneration framework:

- Fixed Annual Remuneration (FAR)
- Short-Term Incentive (STI)

Remuneration Report

The pay mix excludes the MEP granted prior to listing and vesting on IPO which is included in the Statutory Table in section 7.3 of the Remuneration Report. Further detail on the MEP is included in Section 6.3.3. Each component of the remuneration framework is described below.

Figure 1: Remuneration outcomes at maximum



6.3.1 Fixed Annual Remuneration (FAR)

FAR includes Company superannuation contributions and other salary sacrificed benefits. FAR is set fairly to attract and retain Executive KMP, depending on median market remuneration levels and the tenure, ability, and marketability of the Executive concerned.

An annual FAR review budget, agreed by the Board each year, is used to adjust FARs paid to individuals to ensure that their fixed remuneration remains competitive for their specific skills, competence, and value to the Company.

6.3.2 Short-Term Incentive (STI)

Executive KMP have the opportunity to earn an annual STI which is based on a percentage of his or her FAR. The STI percentage increases with seniority to ensure a higher proportion of remuneration is "at risk" for Executive positions with greater accountability to align with shareholders' interests.

The table below presents the features and approach for the PEXA STI plan.

Table 2: FY21 PEXA Executive KMP STI plan

<table>
<tr><th>Feature</th><th>Approach</th></tr>
<tr><td>Purpose</td><td>To set and reward a high standard of performance measured over a twelve-month period.</td></tr>
<tr><td>Eligibility</td><td>Executive KMP</td></tr>
<tr><td>Form of payment</td><td>Cash</td></tr>
<tr><td>Opportunity</td><td>Details of the STI opportunity can be found in the table below.
<table>
<tr><th>Name (Position)</th><th>Max STI</th><th>Max STI as a % of FAR</th></tr>
<tr><td>Glenn King
Managing Director & CEO</td><td>$472,500</td><td>70%</td></tr>
<tr><td>Richard Moore
CFO</td><td>$369,000</td><td>60%</td></tr>
<tr><td>Simon Smith
COO</td><td>$230,400</td><td>60%</td></tr>
</table></td></tr>
</table>

Feature	Approach
Performance period	1 year
Gateway	Priority 1 risk and audit items (as determined by the Board) must be delivered and risk and compliance training for the year must be completed. Failure to do so will result in zero STI for an Executive KMP.
Performance measures	The STI is subject to two components of performance: • Company performance as measured by the Company Scorecard (70%) • Individual performance (30%) The Company performance outcomes are assessed on four key strategic metrics which are in line with Company's objectives: Financial, Member and Customer, Innovation and People, Risk.

Category	Weighting
Company Performance Financial (including PEXA Exchange EBITDA less CAPEX, market share and others) Member and Customer Risk People and Innovation	70%
Individual Performance Individual KPIs	30%
Total	**100%**

Feature	Approach
	The individual component has goals which are linked to the company outcomes and team strategy. Executive KMP goals are approved by the Board. At the end of the performance year, Executive KMP will be assessed against their individual goals and demonstration of the values and awarded an overall rating in line with PEXA's values as described by Above and Below the Line Behavioural Descriptors. The level of any incentive will be assessed at the end of the Company's financial year, by reference to Company performance outcomes and individual achievement, as well as a demonstration of behaviours aligned with PEXA's values.
Malus and/or clawback	Consistent with unlisted company market standards, no malus of clawback provisions were applicable. However, these provisions will be considered by the Remuneration, Nomination and People Committee for future application.
Payment timing	70% of STI is paid in the November following the applicable financial year and 30% of STI is deferred to the following November, provided in both instances Executive KMP are still employed by PEXA and not under notice of employment termination.
Board discretion	The Board also reserves full discretion regarding any STI payments based on holistic factors in relation to the business.
Treatment on termination	STI is forfeited upon notice of termination.

Remuneration Report

6.3.3 Management Equity Plan (MEP)

Executive KMP participated in the Management Equity Plan (MEP). The MEP vested and ordinary shares were issued as part of the PEXA IPO and no further entitlements will arise under the MEP for any participant.

The purpose of the MEP was to enable eligible employees (participants) to subscribe for MEP Performance shares in PEXA Group Limited using a non-recourse interest bearing loan and enabling them to share in the financial growth and performance of the Group.

The MEP Performance shares did not carry any voting rights or entitle the holder to any dividends or any returns on a reduction of capital or upon winding up of the Company. The MEP rules detailed that the plan had a life of 10 years from 1 January 2020 and under the requirements of the MEP rules:

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

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

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

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

MEP participants sold some shares prior to completion of IPO to repay the net balance of the associated limited recourse loans. Some shares were also sold into the IPO on 1 July 2021 to meet tax liabilities on disposal of the shares. There are no outstanding loans on 30 June 2021.

MEP participants also entered into restriction deeds with the company in relation the ordinary shares they hold which are subject to voluntary escrow until the date which the Company releases its financial results for the financial year ending 30 June 2022.

7. Remuneration outcomes for FY21

7.1. Short-Term Incentive

PEXA delivered exceptional financial performance in FY21, outperforming budget. FY21 performance on the company financial performance resulted in a 67% payout of maximum achievement. Other group performance conditions were fully met with the exception of member and customer KPIs for a 62.5% achievement of maximum for this component of Group performance. Executive KMPs performed outstandingly and individual outcomes were achieved in full.

The scorecard outcomes can be seen in the table below.

Table 3: STI framework outcome

Category	KPIs	Weighting	Outcome
Company Performance: 70% Weighting			
Financial	PEXA Exchange EBITDA less CAPEX Market share Key penetration	21%	14%
Member and Customer	PEXA Exchange NPS growth PEXA Exchange MES growth PEXA Key NPS growth PEXA brand	28%	17.5%
Risk	Fraud losses Essential audit items	7%	7%
People and Innovation	Complete pretotype testing Employee engagement	14%	14%
Individual Performance: 30% Weighting			
Individual KPIs (Each executive KMP has a different combination of individual KPIs shown)	Depending on position, may include progression on strategic partnership, international expansion, PX Ventures, talent management plan, ESG strategy.	30%	30%
Total		**100%**	**82.5%**

The Board deliberated on the scorecard outcome to ensure the formulaic outcomes validly reflected performance. The Board decided it was appropriate to reduce the company performance scorecard outcome by 5%, such that the overall STI outcome was 79% of the maximum instead of 82.5%.

Remuneration Report

Table 4: FY21 STI outcome

Name	FY21 STI Outcome	Actual STI as a % of max	Max STI	Max STI as a % of FAR
Glenn King	$373,275	79%	$472,500	70%
Richard Moore	$291,510	79%	$369,000	60%
Simon Smith[1]	$106,176	79%	$230,400	60%

1. Simon Smith commenced on 9 December and his maximum STI reflects 30.4 working hours.

7.2. Realised remuneration

Table 5 below sets out the 'Realised Remuneration' of Executive KMP for FY21 in Australian dollars. It is included to complement the Statutory Remuneration disclosures in Section 7.3 and is considered a useful measure to illustrate the remuneration received by Executive KMP, excluding the vested and exercised MEP that resulted directly from the PEXA IPO (exit event).

The MEP as detailed in Section 6.3.3 was established by the former shareholders based on the previous ownership structure and objectives of the former shareholders. As the Board will introduce a new employee equity LTI plan in FY22, direct comparison of the MEP to future LTI plans in future periods is considered less relevant due to the specific terms of the MEP that do not carry forward. As PEXA is now a listed ASX entity, the exit event will no longer be applicable in future years.

In Table 5, Fixed Annual Remuneration represents the level of base pay and superannuation paid to the Executive. The Cash Short Term Incentive is the initial cash component of the STI earned by and paid to the Executive in respect of FY21, and the deferred cash payment earned in FY20.

At the date of this report the STI amounts shown as realised have not been not paid. Seventy percent of STI will be paid in the November following the applicable financial year and thirty percent of STI is deferred to the following November, provided in both instances Executive KMP are still employed by PEXA and not under notice of employment termination.

It excludes the MEP granted prior to listing and vesting on IPO and amounts are included in the Executive KMP Total Statutory Remuneration totals in the Statutory Table in section 7.3 of the Remuneration Report. The MEP vested and ordinary shares were issued as part of the PEXA IPO and no further entitlements will arise under the MEP for any participant.

Table 5: Realised remuneration

Name	Year	FAR	Non-Monetary Benefits	Cash STI Payable	Total Realised Remuneration
Glenn King	2021	$675,003	$7,397	$354,791	$1,037,191
Richard Moore	2021	$615,013	$7,397	$249,693	$872,103
Simon Smith	2021	$215,588	–	$74,323	$289,911
Total	**2021**	**$1,505,604**	**$14,794**	**$678,807**	**$2,199,205**

1. Fixed annual remuneration comprises base salary and superannuation payments. Glenn King's FAR was increased to $925,000 on 11 June 2021.
2. Consists of STI paid or payable in the current calendar year for FY21 performance (70% of total award) and deferred STI paid for the FY20 performance (30% of total award).

7.3. Statutory Remuneration

Table 6 sets out the remuneration of Executive KMP for the 2021 Financial Year in Australian Dollars and has been prepared in accordance with the requirements of Section 300A of the Australian *Corporations Act 2001* and associated accounting standards.

Table 6: Statutory remuneration

		Short Term					Long Term	Share Based Payment[2]					
Name	Year	Base Salary	Super-annuation	Non-Monetary Benefits	cash bonus[1]	Annual Leave	Long Service Leave	Shares & units	Options & rights	Cash-settled	Sign-on/ Termination payment	Total Statutory Remuneration	% of performance-based remuneration
Executive Director													
Glenn King	2021	$653,309	$21,694	$7,397	$472,500	$44,136	$664	$1,597,637	–	–	–	$2,797,336	74%
Richard Moore	2021	$590,013	$25,000	$7,397	$369,000	$26,020	$605	$798,818	–	–	–	$1,816,852	64%
Simon Smith	2021	$202,933	$12,655	–	$134,400	$7,353	–	$1,061,549	–	–	–	$1,418,890	84%
Total	**2021**	**$1,446,255**	**$59,349**	**$14,794**	**$975,900**	**$77,509**	**$1,269**	**$3,458,004**	**–**	**–**	**–**	**$6,033,078**	**–**

1. This is the amount accrued in FY21 which assumed 100% achievement. The decision of the 79% outcome was made after the accounts were finalised.
2. Represents the value of vested MEP shares expensed during the year in accordance with AASB 2 *Share-based Payment*.

8. Executive KMP Share and other equity holdings

8.1. Executive KMP shareholdings

The movements in Share and other Equity Holdings for KMP are disclosed in the table below.

Table 7: KMP shareholdings

Executive	Held at 1/7/20	Granted as remuneration	Received on exercise of loan funded shares	Other[1]	Held at 30/6/21
Glenn King	–	–	2,070,105	(611,663)	1,458,442
Richard Moore	–	–	1,035,052	(305,832)	729,220
Simon Smith	–	–	414,023	(251,547)	162,476

1. Other changes represent shares that were purchased or sold during the year. G King sold 611,663 shares in repayment of loan; R Moore sold 305,832 shares in repayment of loan; S Smith sold 251,547 shares in repayment of loan.

8.2. Shares granted under MEP

The following tables present all the loan funded shares granted under the MEP to KMP. The loan funded shares were granted for nil consideration.

***Table 8**: Detail of MEP Awards*

Executives	Number Granted	Grant Date	Expiry Date	Fair value at grant	Share price at grant[1]	Number vested during year	% vested	% forfeited	Financial year to vest
Glenn King	2,070,105	28/7/20	27/7/30	$0.77	$11.73	2,070,105	100%	0%	FY21
Loan Funded Shares									
Richard Moore	1,035,052	28/7/20	27/7/30	$0.77	$11.73	1,035,052	100%	0%	FY21
Loan Funded Shares									
Simon Smith	414,023	23/4/21	23/4/31	$2.56	$10.32	414,023	100%	0%	FY21
Loan Funded Shares									

1. Other changes represent shares that were purchased or sold during the year. G King sold 611,663 shares in repayment of loan; R Moore sold 305,832 shares in repayment of loan; S Smith sold 251,547 shares in repayment of loan. Shares granted under the MEP that vested during the year were valued at $17.13 per share. The value at issue date to the Executive KMP were as follows $25,420,889 (Managing Director & CEO), $12,710,439 (CFO) and $2,819,497(COO).

***Table 9**: Movement during the year*

	Instrument	Grant Date	Held at 1/7/20	Granted as compen-sation	Exercised	Lapsed	Forfeited	Held at 30/6/21	Vested during the year
Glenn King	Loan funded shares	28/7/20	–	2,070,105	2,070,105	–	–	–	2,070,105
Richard Moore	Loan funded shares	28/7/20	–	1,035,052	1,035,052	–	–	–	1,035,052
Simon Smith	Loan funded shares	23/4/21	–	414,023	414,023	–	–	–	414,023

9. Key terms of Executive KMP employment contracts

The following tables set out the contractual provisions for current Executive KMP.

Each Executive KMP has a formal contract, known as a "service agreement". These agreements are of a continuing nature and have no set term of service (subject to the termination provisions).

The key terms of the service agreements for the Executive are summarised below:

Table 10: Chief Executive Officer, Glenn King

Contract duration	Commenced 14 October 2019, open ended
FAR as of 1 July 2020	\$675,000[1]. Includes salary and superannuation,.
Review of FAR	Reviewed annually, effective from 1 October with no obligation to adjust.
Variable remuneration eligibility	The CEO is eligible to participate in PEXA's plans for performance-based remuneration, and in FY21 that included: **FY21 STI: Maximum opportunity:** • 70% of FAR • 70% of STI earned is paid in November 2021. • 30% of STI earned is paid in November 2022.
Non-compete period	Either 3 months or 6 months, whichever is the greater period enforceable.
Non-solicitation period	Either 6 months or 12 months, whichever is the greater period enforceable.
Notice by PEXA	12 months
Notice by Executive	12 months
Termination payments to compensate for non-solicitation/non-compete clause in certain circumstances	Maximum benefit from termination payment and payment in lieu of notice is 12 months based on fixed annual remuneration at the date of termination. No payment is made for termination due to gross misconduct.

1. The CEO FAR increased to \$925,000 on 11 June 2021.

Table 11: Chief Financial Officer, Richard Moore

Contract duration	Commenced 3 February 2020, open ended
FAR as of 1 July 2020	\$615,000. Includes salary and superannuation,.
Review of FAR	Reviewed annually effective from 1 October with no obligation to adjust.
Variable remuneration eligibility	The CFO is eligible to participate in PEXA's plans for performance-based remuneration, and in FY21 that included: **FY21 STI: Maximum opportunity:** • 60% of FAR • 70% of STI earned is paid in November 2021. • 30% of STI earned is paid in November 2022.
Non-compete period	Either 3 months or 6 months, whichever is the greater period enforceable.
Non-solicitation period	Either 6 months, 12 months or 24 months, whichever is the greater period enforceable.

Remuneration Report

Contract duration	Commenced 3 February 2020, open ended
Notice by PEXA	9 months
Notice by Executive	9 months
Termination payments to compensate for non-solicitation/non-compete clause in certain circumstances	Maximum benefit from termination payment and payment in lieu of notice is 9 months based on fixed annual remuneration at the date of termination. No payment is made for termination due to gross misconduct.

Table 12: Chief Operating Officer, Simon Smith

Contract duration	Commenced 9 December 2020, open ended
FAR at date of commencement	$384,000. Includes salary and superannuation,.
This reflects a 30.4 hour working week.	
Review of FAR	Reviewed annually effective from 1 October with no obligation to adjust.
Variable remuneration eligibility	The COO is eligible to participate in PEXA's plans for performance-based remuneration, and in FY21 that included: **FY21 STI: Maximum opportunity:** • 60% of FAR • 70% of STI earned is paid in November 2021. • 30% of STI earned is paid in November 2022.
Non-compete period	Either 3 months or 6 months, whichever is the greater period enforceable.
Non-solicitation period	Either 6 months, 12 months or 24 months, whichever is the greater period enforceable.
Notice by SCP	6 months
Notice by Executive	6 months
Termination payments to compensate for non-solicitation/non-compete clause in certain circumstances	Maximum benefit from termination payment and payment in lieu of notice is 6 months based on fixed annual remuneration at the date of termination. No payment is made for termination due to gross misconduct.

The Board has full discretion to amend any of the above termination arrangements to acknowledge exceptional circumstances and determine appropriate alternative vesting outcomes that are consistent, fair and reasonable, and balance multiple stakeholder interests.

The Board acknowledges that, consistent with its approach to voluntarily adopt certain corporate governance obligations not otherwise applicable to PEXA, shareholder approval will be sought where termination payments exceed the limits prescribed by the Corporations Act.

10. Non-Executive director remuneration

10.1. Remuneration Policy

Remuneration for Non-Executive Directors is determined by reference to relevant external market data and takes into consideration the level of fees paid to directors of other Australian corporations of similar size and complexity to PEXA.

Remuneration for Non-Executive Directors is subject to the aggregate fee pool limit of $2 million per annum. Approval will be sought for any change to the aggregate sum at a general meeting of shareholders.

Fees for Non-Executive Directors are fixed and are not linked to the financial performance of the Company. Non-Executive Directors are not entitled to retirement benefits other than statutory superannuation benefits.

Table 13 sets out the board fee structure.

Table 13: Board fees (inclusive of superannuation)

	Fee
Board Chairman	$350,000
Board Member	$160,000
Audit and Risk Committee Chair	$30,000
Audit and Risk Committee Member	$17,500
Remuneration, Nomination and People Committee Chair	$30,000
Remuneration, Nomination and People Committee Member	$17,500

In addition to Board and Committee fees, non-executive directors are entitled to be reimbursed for all reasonable travel, accommodation and other expenses incurred in attending meetings of the Board, Committees or shareholders or while engaged on PEXA business.

There were no performance-based plans for PEXA Non-Executive Directors. Independent NEDs were granted shares in recognition of the efforts for the IPO. The table below illustrates the statutory remuneration for the NEDs.

Remuneration Report

***Table 14**: NED statutory remuneration*

						Share-based Payment			
NED[1]	Year	Base Salary	Superannuation	Non-Monetary Benefits	Post-Employment benefits – Termination	Bonus Shares[2]	Matched Shares[3]	Options & rights	Total Statutory Remuneration
Mark Joiner	2021	$58,333	–	–	–	$399,986	$19,991	–	$478,038
Vivek Bhatia[4]	2021	$8,485	–	–	–	–	$19,991	–	$28,476
Dr Kirstin Ferguson	2021	$7,713	$771	–	–	$149,990	$19,991	–	$178,466
John Hawkins[5]	2021	$8,485	–	–	–	–	$19,991	–	$28,476
Paul Rickard	2021	$7,713	$771	–	–	–	$19,991	–	$28,476
Melanie Willis	2021	$7,713	$771	–	–	$149,990	$19,991	–	$178,466
Former Directors									
David Singh	2021	–	–	–	–	–	–	–	–
Binh Tran	2021	–	–	–	–	–	–	–	–
Dan O'Neill	2021	–	–	–	–	–	–	–	–
Andrew Maclachlan	2021	–	–	–	–	–	–	–	–
Alan Cameron, AO	2021	$143,038	–	–	$85,000	–	–	–	–
Janine Rolfe	2021	–	–	–	–	–	–	–	–
Mark McLean	2021	–	–	–	–	–	–	–	–
Tim Cooper	2021	–	–	–	–	–	–	–	–
Marc van't Noordende	2021	–	–	–	–	–	–	–	–
Total	**2021**	**$241,481**	**$2,314**	**–**	**$85,000**	**$699,966**	**$119,944**	**–**	**$1,148,706**

1. For the Former Directors, Director fees and remuneration for other shareholder Director representatives were incurred by the individual shareholders.
2. Independent Non-Executive Directors received Consideration (or Bonus) Shares in consideration of the services provided to the Company in preparation for, and on completion of, the IPO Offer.
3. Directors participating in the Employee and Director Offer received a 1:4 Matching Share, for a maximum of $100,000 of shares (including the 1:4 Matching Share) at no cost to the Director.
4. Vivek Bhatia's fees are paid directly to Link Property Pty Ltd
5. John Hawkins' fees are paid for his services through Somerset Services Pty Ltd.

Table 15: NED shareholdings

NED	Held at 1/7/20	Held at 30/6/21[1]	Granted as compen-sation[2]	Received on exercise of rights	Other[3]	Held at 1/7/21[3,4]
Mark Joiner[5]	–	–	23,350	–	5,837	29,187
John Hawkins	–	–	–	–	5,837	5,837
Dr Kirstin Ferguson[6]	–	–	8,756	–	5,837	14,593
Melanie Willis[6]	–	–	8,756	–	5,837	14,593
Paul Rickard	–	–	–	–	5,837	5,837
Vivek Bhatia	–	–	–	–	5,837	5,837
Former Directors						
David Singh	–	N/A	–	–	–	N/A
Binh Tran	–	N/A	–	–	–	N/A
Dan O’Neill	–	N/A	–	–	–	N/A
Andrew MacLachlan	–	N/A	–	–	–	N/A
Alan Cameron	–	N/A	–	–	–	N/A
Janine Rolfe	–	N/A	–	–	–	N/A
Mark McLean	–	N/A	–	–	–	N/A
Tim Cooper	–	N/A	–	–	–	N/A
Marc van’t Noordende	–	N/A	–	–	–	N/A

1. For directors that retired prior to 30 June 2021, shareholding balance at 30 June 2021 and 1 July 2021 are not included.
2. Granted on 1 July 2021.
3. Other changes represent shares that were purchased or sold on 1 July 2021. This includes the 1:4 Matching Shares under the Director Offer.
4. “Held at 1/7/21” were shares issued on 1 July 2021 on IPO.
5. Mark Joiner received 23,350 Consideration Shares as compensation for services provided to the company in preparation and completion of IPO.
6. Dr Kirstin Ferguson and Melanie Willis received 8,756 Consideration Shares as compensation for services provided to the company in preparation and completion of IPO.

11. Loans to Executives

There were no loans to the Executives during the financial year, except as allowed under the legacy MEP. When a MEP offer was made to a Participant, a limited recourse interest bearing loan was entered into to assist the Participant to acquire the MEP Performance shares. As the recourse on the loan was limited to the underlying MEP Performance shares, the MEP Performance shares were treated as options for accounting purposes. Accordingly, no loan receivable, increase in contributed equity or the number of shares on issue were recorded when the MEP Performance shares were issued.

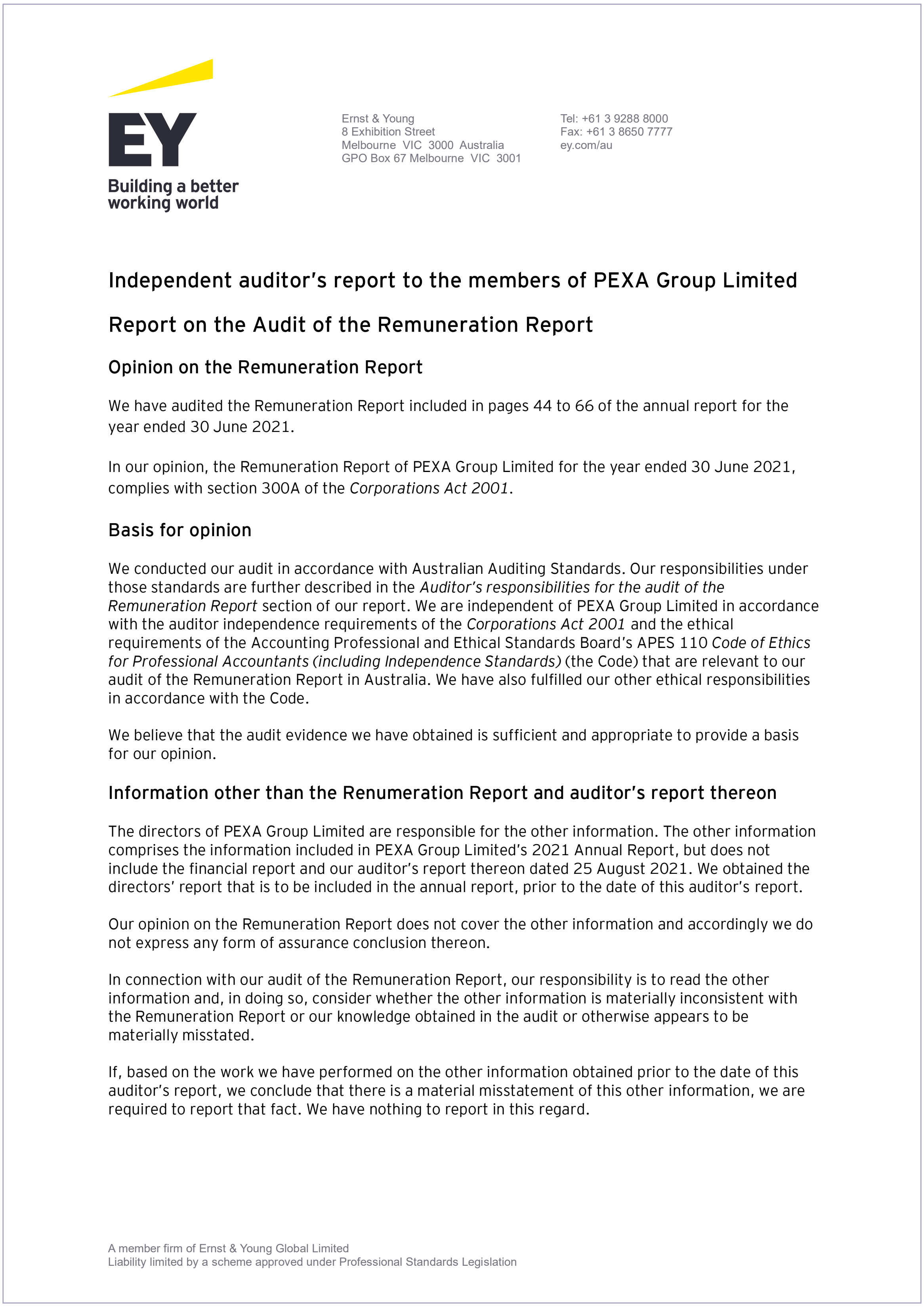
All limited recourse interest bearing loans were settled in full on 30 June 2021. Loans were not provided to Non-Executive Directors.

Remuneration Report

Definitions

Managing Director and Chief Executive Officer	The Managing Director and Chief Executive Officer of the Company.
Chief Financial Officer	The Chief Financial Officer of the Company.
Chief Operations Officer	The Chief Operations Officer of the Company.
KMP	Key Management Personnel. This includes Non-Executive Directors and CEO, CFO and COO.
Non-Executive Directors	A member of the Company's board of directors who is not part of the executive team and is not involved in the day-to-day management of the Company.
Fixed Annual Remuneration (FAR)	Includes salary and superannuation.
Short-Term Incentive (STI)	Incentive contingent on pre-determined performance measures. Measured over one year. Part of an Executive's 'at-risk' pay.
Long-Term Incentive (LTI)	Incentive contingent on pre-determined performance measures. Measured over more than one year. Part of an Executive's 'at-risk' pay.
Key Performance Indicator (KPI)	Key performance indicators. Used to assess and monitor performance of one, or a group of executives.

Independent Auditor's Report of the Remuneration Report



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

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 44 to 66 of the annual report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of PEXA Group Limited for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 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 Remuneration Report* section of our report. We are independent of PEXA Group Limited 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 Remuneration 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.

Information other than the Renumeration Report and auditor's report thereon

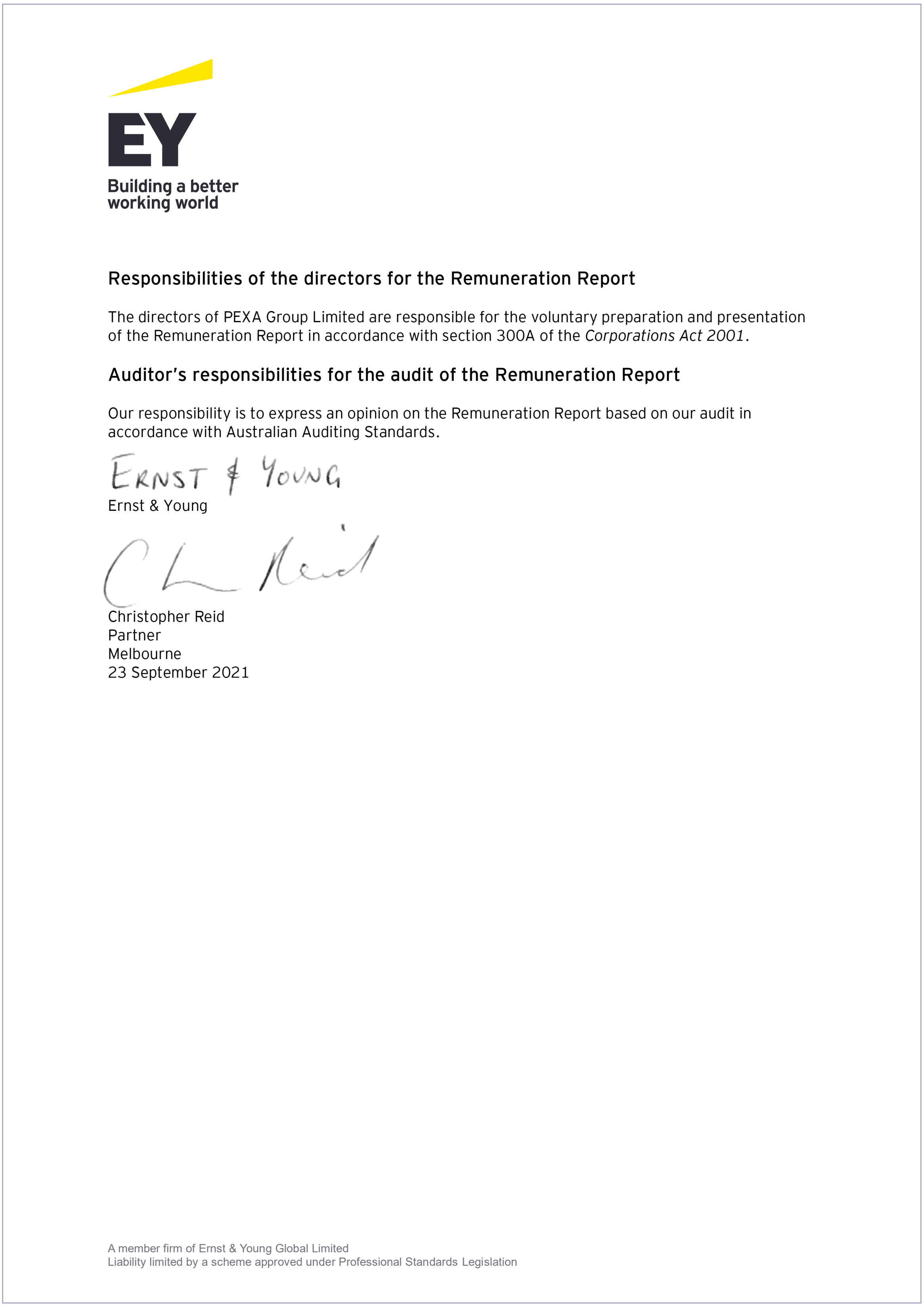
The directors of PEXA Group Limited are responsible for the other information. The other information comprises the information included in PEXA Group Limited's 2021 Annual Report, but does not include the financial report and our auditor's report thereon dated 25 August 2021. We obtained the directors' report that is to be included in the annual report, prior to the date of this auditor's report.

Our opinion on the Remuneration 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 Remuneration Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Remuneration Report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Independent Auditor's Report of the Remuneration Report



Responsibilities of the directors for the Remuneration Report

The directors of PEXA Group Limited are responsible for the voluntary preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*.

Auditor's responsibilities for the audit of the Remuneration Report

Our responsibility is to express an opinion on the Remuneration Report based on our audit in accordance with Australian Auditing Standards.

ERNST & YOUNG

Ernst & Young

Christopher Reid
Partner
Melbourne
23 September 2021

Financial Statements

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2021

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

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

Financial Statements

Consolidated Statement of Financial Position

for the year ended 30 June 2021

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

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

Consolidated Statement of Changes in Equity

for the year ended 30 June 2021

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

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

Financial Statements

Consolidated Statement of Cash Flows

for the year ended 30 June 2021

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

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

Notes to the Financial Statements

1. Corporate information

a. Reporting entity

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

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

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

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

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

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

Notes to the Financial Statements

Item	Description	Note(s)
New equity issued upon IPO	Upon listing on the ASX on 1 July 2021, a further 12,608,436 ordinary shares were issued at $17.13 per share to new and existing shareholders. The Company received proceeds of $214.7 million as a result of the IPO (before repayment of outstanding shareholder loans of $193.0 million and underwriting and management fees of $20.1 million for IPO Joint Lead Managers).	–

2. Summary of significant accounting policies

a. Basis of preparation and statement of compliance

i. Statement of compliance

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

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

ii. Rounding

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

b. Going concern

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

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

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

c. New Accounting Standards and Interpretations

i. Adoption of new accounting standards effective this year

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

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

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

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

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

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

d. Cash and short-term deposits

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

e. Trade and other payables

Trade and other payables represent liabilities for purchases of goods and services by the Group. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are carried at amortised cost and due to their short-term nature, they are not discounted.

f. Financial instruments

i. Financial assets

Recognition and subsequent measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are initially measured at the transaction price determined under AASB 15 as disclosed in Note 2(i).

Notes to the Financial Statements

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 2021 include external and shareholder loans, trade and other payables which are measured at amortised cost.

Derecognition

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

iii. Measurement of financial assets and liabilities at amortised cost

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

g. Property, plant and equipment

Each class of property, plant and equipment is carried at historical cost less any accumulated depreciation and impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. All other repairs and maintenance are recognised in the Statement of Comprehensive Income as incurred.

As property, plant and equipment is not considered to generate independent cash flows, the carrying amount of these assets is included within the assets of the cash generating unit assessed as part of the Group's impairment testing process as outlined in Note 2(k).

Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:

Property Plant and Equipment – over 3 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income.

h. Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or estimated useful life (being between 0.25 and 5.5 years).

ii. Lease liabilities

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

Notes to the Financial Statements

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

iii. Short-term leases and leases of low value assets

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

iv. Leases acquired in a business combination

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

i. Revenue and income

i. Revenue from contracts with customers – Property Settlement Transactions (PST)

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group currently generates the majority of its revenue from PST fees collected from Subscribers for electronic conveyancing transactions completed on the PEXA exchange. The Group recognises revenue on the day of successful settlement and lodgement of an electronic conveyancing transaction (point in time). It is only at this point that the performance obligation to provide the electronic conveyancing network is satisfied and that PEXA is entitled to collect PST fees. PST fees are collected as a disbursement of settlement funds at the time of settlement or via direct debit when the electronic conveyancing transaction does not include financial settlement. Direct debits are processed on the evening of the day of lodgement.

PEXA groups its PST fees into three categories:

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

ii. Interest income

Interest income is recognised as interest accrues using the effective interest method.

j. Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with AASB 9. Other contingent consideration that is not within the scope of AASB 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

k. Impairment of non-financial assets

Non-financial assets other than goodwill and indefinite life intangibles are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

Notes to the Financial Statements

l. Intangible assets

i. Initial recognition

Intangible assets are recognised when they are identifiable, it is probable that they will result in future economic benefits flowing to the Group and the cost can be measured reliably.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate probable future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

ii. Subsequent measurement

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets. The table below outlines the amortisation periods and methods currently applied to the Group’s finite life intangibles (which are consistent with those applied in the prior period):

	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. Share-based payments transactions

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

Equity-settled transactions

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

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

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

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

Notes to the Financial Statements

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

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

Cash-settled transactions

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

Transactions with cash and equity settlement alternatives

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

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

p. Interest-bearing loans and borrowings

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

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

Borrowing costs

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

q. Contributed Equity

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

r. Income tax and other taxes

i. Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the Statement of Comprehensive Income.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

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

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that sufficient taxable temporary differences exist relating to the same taxation authority and the same taxable entity which are expected to reverse or it is probable (probable is considered as more likely than not) that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Notes to the Financial Statements

Where there is uncertainty as to the tax treatment of a particular item by tax authorities, the Group considers whether it is probable that the taxation authority will accept the uncertain tax treatment. If the Group concludes that the position is not probable of being accepted, the effect of the uncertainty is measured based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty. If the Group concludes that the position is probable of being accepted, the Group reflects amounts consistently with the treatment used or planned to be used in its income tax filings.

ii. Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a net basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

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

s. Cost of Sales

Cost of sales primarily relates to fees paid to state land registries for property information relating to settlements. The Group incurs these expenses on a per lodgement basis in advance of when a transaction completes. Costs associated with open transactions at year end are recorded in the statement of financial position as an asset and recognised as an expense when the transaction completes.

t. Comparative Figures

Where applicable, comparative amounts have been adjusted to conform to changes in presentation in the current financial year. Where applicable, presentation or classification of items in the financial statements has been amended, comparative figures have been reclassified unless reclassification is impractical.

u. Principles of consolidation

These consolidated financial statements comprise the assets and liabilities of all controlled entities of PEXA Group Limited at 30 June 2021 and the results of all controlled entities for the financial year unless otherwise stated. Controlled entities are:

- all entities over which the Group is exposed to, or has rights to, variable returns from its involvement with the entity and as the ability to affect those returns through its power to direct the relevant activities of the entity; and
- fully consolidated from the date on which control is transferred to the Group, and, where applicable, deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of controlled entities, and the balances and effects of transactions between all controlled entities are eliminated in full.

v. Fair value

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

3. Significant Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses.

Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

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

Significant accounting judgements

Taxation

The Group's accounting policy for taxation requires management's judgement to assess whether deferred tax assets are recognised on the Statement of Financial Position. As detailed in Note 6(d), at 30 June 2021 the Group has recognised deferred tax assets of $141.8 million primarily relating to carry forward tax losses.

Recognition of deferred tax amounts are subject to significant judgement, risk and uncertainty, particularly around the interpretation of relevant taxation law, in particular the satisfaction (or continued satisfaction) of either the continuity of ownership or same business tests. Changes in circumstances or interpretations of taxation law could alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the Statement of Financial Position and the availability of amounts in future financial periods. Additionally, a deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future profits will be available against which the asset can be utilised.

Capitalisation of internally developed software and impairment assessments

Distinguishing between the research and development phases of a new customised software project and determining whether the recognition requirements for the capitalisation of development costs as discussed in Note 2(l)(i) are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

Notes to the Financial Statements

Recognition of transaction costs relating to the issuance of shares

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

Significant accounting estimates and assumptions

Estimation of useful lives of assets

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

Settlement method and valuation of the Management Equity Plan

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

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

Impairment testing of intangible assets (including goodwill)

The Group assesses whether its intangible assets (including goodwill) are carried above their recoverable amount on an annual basis or when there are other indicators of impairment. Recoverable amount is determined as the higher of fair value less costs of disposal (FVLCD) and value-in-use (VIU). The Group completes its impairment assessment based on all known facts and circumstances, incorporating its best estimates from information available at reporting date.

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

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

4. Revenue, Income and Expenses

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

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 year was $58.2 million (30 June 2020: $49.8 million), inclusive of $6.3 million of share-based payments and $1 million employee benefit transaction costs associated with the IPO.
3. Other is predominantly administration expenses.

Notes to the Financial Statements

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 as costs incurred relating to other potential markets and projects are preliminary in nature. The Group does not currently generate revenues from transactions with a single external customer for amounts equal to or greater than 10% of total revenue.

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

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

a. Segment results

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

PEXA Exchange segment 12 months ended 30 June	2021 $'000	2020 $'000
PEXA Exchange platform revenues	219,693	154,346
Other	1,353	1,241
Total segment revenue	**221,046**	**155,587**
Cost of sales	(29,333)	(23,019)
Gross Margin	**191,713**	**132,568**
Resource costs	(45,777)	(48,339)
Other operating expenses	(29,000)	(26,302)
PEXA Exchange EBITDA	**116,936**	**57,927**

b. Reconciliation of PEXA Exchange EBITDA to net profit before tax

12 months ended 30 June	2021 $'000	2020 $'000
PEXA Exchange EBITDA	**116,936**	**57,927**
Project and expansion related costs		
International expansion	(4,555)	(1,176)
Data	(1,971)	(805)
Other projects	–	(159)
Non-segment resource related costs		
Redundancy and Restructure	(393)	(3,562)
Transactions costs associated with IPO	(8,192)	–
Share-based payment expense – MEP	(6,267)	–
Other professional fees	(1,147)	(532)
EBITDA[1]	**94,411**	**51,693**
Depreciation, amortisation and impairment	(66,008)	(62,392)
Interest net – (expense)/income	(36,495)	1,933
Statutory net (loss) before tax	**(8,092)**	**(8,766)**

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

c. Segment assets and liabilities

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

Notes to the Financial Statements

6. Income Tax

a. Income tax (expense)/benefit

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

12 months ended 30 June	2021 $'000	2020 $'000
Current income tax		
Current income tax charge	–	–
Deferred income expense		
Relating to deferred tax on temporary differences	(13,811)	(16,303)
Research and Development Tax credits	(501)	–
Adjustment in respect of prior years	129	–
Recognition of current period tax losses and tax credits carried forward	10,488	25,039
Income tax (expense)/benefit reported in the Statement of Comprehensive Income	**(3,695)**	**8,736**

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

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

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

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

c. Amounts recognised directly in equity/balance sheet

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

The Group incurred various transaction costs in relation to the IPO, of which certain costs were capitalised to the balance sheet as equity or prepayments (on the basis that the listing occurred on 1 July 2021). In the current year, the portion of those expenses that related to the issuing of new shares were recognised directly in equity. The balance of these costs that related to the issuing of new shares on listing (i.e. after year-end) were recognised directly as prepayments. The remaining transaction costs are recognised immediately in the statement of profit and loss and comprehensive income.

12 months ended 30 June	2021 $'000	2020 $'000
Net deferred tax – (credited) directly to prepayments[1]	(171)	–
Net deferred tax – (credited) directly to share issuance reserve	(179)	–
Total	**(350)**	**–**

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

d. Deferred tax balances

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

	Consolidated statement of financial position		Consolidated statement of profit or loss	
As at 30 June	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Deferred Tax Liabilities				
Intangible Assets	**(165,622)**	**(149,485)**	**(16,137)**	**(12,088)**
Deferred Tax Assets				
Transaction costs	10,731	12,938	(2,207)	(3,808)
Provisions and accruals	8,163	4,166	3,997	(407)
Carry forward tax losses and tax credits	122,904	111,901	11,002	25,039
Total Deferred Tax Assets	**141,798**	**129,005**	**12,792**	**20,824**
Net deferred (tax liabilities)/deferred tax benefit	**(23,824)**	**(20,480)**	**(3,345)**	**8,736**

Notes to the Financial Statements

e. Members of the tax consolidated group

i. Members of the tax consolidated group and the tax sharing arrangement

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

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

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

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

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.

7. Current Assets – Cash and Cash Equivalents

As at 30 June	2021 $'000	2020 $'000
Cash at bank and on hand	51,517	50,417
Short-term deposits	–	20,000
	51,517	**70,417**

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

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

8. Current Assets – Trade and Other Receivables

As at 30 June	2021 $'000	2020 $'000
Trade receivables from contracts with customers	1,223	556
Rental bonds	203	203
Other receivables	689	135
	2,115	**894**

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

Notes to the Financial Statements

9. Current Assets – Prepayments and Other Assets

As at 30 June	2021 $'000	2020 $'000
Prepaid insurance	2,058	2,662
Prepaid software licensing and support	2,346	2,386
Prepaid land registry fees – lodgement support services	1,821	1,256
Prepaid ASX listing fees	1,393	–
Other prepayments	1,547	1,651
Other assets[1]	399	–
	9,564	**7,955**

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

10. Current Assets – Financial Assets

As at 30 June	2021 $'000	2020 $'000
Other financial assets	21,451	14,168
	21,451	**14,168**

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

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

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

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

Notes to the Financial Statements

12. Non-Current Assets – Intangible Assets

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

a. Intangible Assets

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

Amortisation and useful life of intangible assets

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

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

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

(a) **PEXA Brand:** The Group expects this use this indefinitely and expects any hypothetical acquirer would continue to utilise the brand.

(b) **Licences:** These represent licences from the e-conveyancing regulator and are critical to the operations of the business. Accordingly, management intends to continually renew these licences.

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

b. Impairment testing

Background

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

30 June 2021 assessment

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

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

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

Notes to the Financial Statements

30 June 2020 assessment

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

Key inputs and assumptions

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

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

Discount rates

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

Forecast cash flows

Forecast cash flows are derived from Board approved profit and cash flow forecasts and do not include restructuring activities that the Group is not yet committed to or possible future investments. In developing these cash flows, management assumed that market penetration in states that electronic lodgement is mandated such as Victoria, New South Wales and Western Australia will remain stable and strong while market penetration in non-mandated states such as South Australia and Queensland will continue to grow in line with historical trends. At the time of forecast/impairment model preparation, no material competition existed in the marketplace nor was competition assumed.

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

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

Growth rate estimates

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

Sensitivity considerations

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

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

13. Leases

Group as a lessee

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

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

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

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

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

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

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

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

Notes to the Financial Statements

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

As at 30 June	2021 $'000	2020 $'000
Lease liabilities		
Current lease liabilities	1,772	1,502
Non-current lease liabilities	9,931	9,931
Total	**11,703**	**11,433**

The following are the amounts recognised in profit or loss:

12 months ended 30 June	2021 $'000	2020 $'000
Depreciation expense of right-of-use assets	1,831	1,716
Interest expense on lease liabilities	512	568
Expense relating to short-term leases (temporary office space)	276	756
Total amount recognised in profit or loss	**2,619**	**3,040**

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

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

14. Capital and Financial Risk Management

Financial risk management

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

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

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

Approach to risk management

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

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

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

Notes to the Financial Statements

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

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. Estimated interest and principal payments are based on forward interest rates prevailing at year end and are undiscounted. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

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

Credit Risk

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

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

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 issue new shares or seek other new sources of capital such as loans and borrowings.

The Group believes that, on completion of the ASX listing, it will have sufficient cash to meet its operational and working capital requirements to meet its business objectives. The Directors note that in the future it may need to raise additional funds in order to support more rapid expansion, respond to competitive pressures, acquire complementary businesses or technologies or take advantage of unanticipated opportunities.

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

15. Current Liabilities – Trade and Other Payables

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

a. Financial liabilities

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.

Notes to the Financial Statements

16. Current Liabilities – Provisions

As at 30 June	2021 $'000	2020 $'000
Annual leave	3,877	2,680
Long service leave	1,090	822
Total	**4,967**	**3,502**

17. Non-Current Liabilities – Provision

As at 30 June	2021 $'000	2020 $'000
Long Service leave	**592**	**588**

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

As at 30 June	2021 $'000	2020 $'000
At 1 July 2020	–	–
Return of capital	949,490	–
Interest expense	36,629	–
Interest paid	(3,663)	–
Acquisition of ordinary shares from MEP participants	(35,356)	–
Conversion of shareholder loans	(354,118)	–
Repayments of shareholder loans	(400,000)	–
Total	**192,982**	**–**

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

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

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

Just prior to or on 30 June 2021:

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

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

19. Non-Current Interest-Bearing Loans and Borrowings

As at 30 June	2021 $'000	2020 $'000
Borrowings – unsecured	300,000	–
Deferred borrowing costs[1]	(2,603)	–
Total	**297,397**	**–**

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

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

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

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

20. Contributed Equity and Reserves

a. Ordinary shares

As at 30 June	2021 $'000	2020 $'000
Issued and fully paid	1,058,198	1,618,632
Total	**1,058,198**	**1,618,632**

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

Notes to the Financial Statements

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

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

b. Reserves – Share-Based Payments

12 months ended 30 June	2021 $'000	2020 $'000
Share-based payment expense – MEP Performance Shares	6,267	–
Share-based payment expense – IPO related payments (Refer below)	1,322	–
Total	**7,589**	**–**

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

Management Equity Plan (MEP)

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

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

On 23 July 2020, the Group approved a Grant of 5,830,781 MEP Performance shares (Grant 1). Participants were issued MEP Performance shares in three classes (Class A, B and C) based on the investment ownership percentage of the three shareholders of PEXA Group Limited. Each shareholder was associated with a class of MEP Performance share.

The MEP Performance shares did not carry any voting rights or entitle the holder to any dividends or any returns on a reduction of capital or upon winding up of the Company. The MEP rules detailed that plan had a life of 10 years from 1 January 2020 and under the requirements of the MEP rules:

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

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

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

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

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

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

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

Notes to the Financial Statements

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

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

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

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

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

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

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

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

Grant 1, July 2020 issue:

Morgan Stanley Infrastructure	2021	2022	2023	2024	2025
	10%	30%	30%	15%	15%
	2026	**2027**	**2028**	**2029**	**2030**
	0%	0%	0%	0%	0%

Link Group and Commonwealth Bank Australia	2021	2022	2023	2024	2025
	3.5%	10.5%	10.5%	5.25%	5.25%
	2026	**2027**	**2028**	**2029**	**2030**
	5%	5%	5%	20%	30%

Grant 2, April 2021 issue:

Morgan Stanley Infrastructure	2021	2022	2023	2024	2025
	50%	16.7%	16.7%	8.3%	8.3%
	2026	**2027**	**2028**	**2029**	**2030**
	0%	0%	0%	0%	0%

Link Group	2021	2022	2023	2024	2025
	75%	2.7%	2.7%	1.4%	1.4%
	2026	**2027**	**2028**	**2029**	**2030**
	1.3%	1.3%	1.3%	5.2%	7.8%

Commonwealth Bank Australia	2021	2022	2023	2024	2025
	43.4%	6.2%	6.2%	3.1%	3.1%
	2026	**2027**	**2028**	**2029**	**2030**
	2.9%	2.9%	2.9%	11.7%	17.6%

Notes to the Financial Statements

21. Earnings Per Share

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

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

(i) Weighted average number of ordinary shares.
(ii) There were no potentially dilutive ordinary shares during the current or comparative periods.

22. Related Party Disclosures

a. Key Management Personnel

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

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

Executive KMP 12 months ended 30 June	2021 $'000	2020 $'000
Short-term employee benefits – Executive KMP	2,515	7,185
Share-based payments – MEP	3,458	–
Other long-term benefits	1	89
Post-employment benefits – Superannuation	59	189
Post-employment benefits – Termination	–	799
Total	**6,033**	**8,262**

Non-executive KMP 12 months ended 30 June	2021 $'000	2020 $'000
Short-term employee benefits – Non-executive KMP	242	159
Share-based payments – Bonus Shares	700	–
Share-based payments – Matched Shares	120	–
Post-employment benefits – Superannuation	2	11
Post-employment benefits – Termination	85	–
Total	**1,149**	**170**

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

b. Transactions with related parties

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

Related party – entities with significant influence over the Group 12 months ended 30 June	2021 $'000	2020 $'000
Link Holdings (expenses for share registry management)	(7)	–
CBA Group (revenue)	16,046	11,922

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

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

c. Parent entity and relationship with subsidiaries

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

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

23. Events After Balance Sheet Date

PEXA Group IPO

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

Notes to the Financial Statements

COVID-19

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

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

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

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

24. Commitments and Contingencies

Capital commitments

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

Residential guarantee

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

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

Contingent liabilities

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

25. Auditor's Remuneration

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

Ernst & Young 12 months ended 30 June	2021 $	2020 $
Audit and assurance services		
Category 1 – Group and statutory audit fees	463,510	159,480
Category 2 – Other assurance services	152,000	–
Category 3 – Other services (Strategy and Transaction services)	1,255,000	193,000
Total auditor remuneration	**1,870,510**	**352,480**

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

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

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

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

As at 30 June	2021 $'000	2020 $'000
Current assets	2,427	2,757
Total assets	1,752,716	1,729,714
Current liabilities	(198,550)	(111,912)
Total liabilities	(718,855)	(111,912)
Issued share capital	(1,058,198)	(1,618,632)
Equity Reserves	(7,589)	–
Retained earnings	31,926	830
(Loss) of the parent entity	(31,096)	(830)
Total comprehensive (loss) of the parent entity	**(31,096)**	**(830)**

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

Directors' Declaration

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

In the opinion of the Directors:

(a) The financial statements and associated notes set out on pages 69 to 113 are in accordance with the Corporations Act 2001, including:
  (i) Giving a true and fair view of the financial position of the Group as at 30 June 2021 and of its performance for the year then ended; and
  (ii) Complying with Australian Accounting Standards and Corporations Regulations 2001; and
  (iii) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(a); and

(b) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

(c) This declaration has been made after receiving the declarations required to be made to the Directors but the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2021.

On behalf of the Board

Mark Joiner
Chairman

25 August 2021

Independent Auditor's Report

Building a better
working world

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

Opinion

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

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

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Key audit matters

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

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

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Capitalisation of intangible software assets

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

Revenue recognition and its reliance on automated processes and controls

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

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

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

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

Independent Auditor’s Report

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

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

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor’s responsibilities for the audit of the financial report

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

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

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

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

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

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

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

ERNST & YOUNG

Ernst & Young

Christopher Reid
Partner
Melbourne
25 August 2021

SHAREHOLDER INFORMATION

The following additional information is provided in accordance with ASX Listing Rules. The shareholder information set out below was applicable as at 23 September 2021.

Distribution of equity securities

Analysis of the number of equity security holders by size of holding and the total percentage of securities in that class held by the holders in each category:

Number of equity securities held	Ordinary shares		
	No. of holders	No. of shares	% of shares
1 – 1,000	5,757	2,340,777	1.32
1,001 – 5,000	2,030	4,119,231	2.32
5,001 – 10,000	156	1,111,889	0.63
10,001 – 100,000	74	1,649,950	0.93
100,001 and over	33	168,103,941	94.80
Total	**8,050**	**177,325,788**	**100.00**

There were zero holders of less than a marketable parcel of ordinary shares.

Equity security holders

The names of the 20 largest holders of the only class of quoted equity securities are listed below:

	Ordinary shares	
Name	No. held	% of issued shares
Link Property Pty Ltd	75,834,006	42.77
Commonwealth Bank of Australia	42,380,864	23.90
HSBC Custody Nominees (Australia) Limited	11,623,221	6.55
Citicorp Nominees Pty Limited	9,738,359	5.49
J P Morgan Nominees Australia Pty Limited	4,788,871	2.70
UBS Nominees Pty Ltd	4,656,832	2.63
National Nominees Limited	3,014,590	1.70
Australian Foundation Investment Company Limited	2,918,856	1.65
CS Fourth Nominees Pty Limited	1,418,035	0.80
Mutual Trust Pty Ltd	1,210,465	0.68
Glenn Lee King	1,155,637	0.65
CS Third Nominees Pty Limited	898,740	0.51
BNP Paribas Nominees Pty Ltd	788,414	0.44
Brispot Nominees Pty Ltd	642,758	0.36
Richard Gillen Moore	577,818	0.33
Buttonwood Nominees Pty Ltd	535,587	0.30
HSBC Custody Nominees (Australia) Limited	528,567	0.30
Morgan Stanley Australia Securities (Nominee) Pty Limited	528,150	0.30
Mirrabooka Investments Limited	525,394	0.30
HSBC Custody Nominees (Australia) Limited – A/C 2	512,101	0.29
Total Top 20 holders	**164,277,265**	**92.64**
Total remaining holders	**13,048,523**	**7.36**

Shareholder information

Substantial holders

Substantial holders (including associate holdings) in the Company, based on the most recent substantial holder notices lodged with the Company and ASX, are set out below:

	Ordinary shares	
Name	No. held	% of issued shares
Link Administration Holdings Limited	79,184,961	44.66
Commonwealth Bank of Australia	48,362,255	27.27

Restricted securities

The number of shares under voluntary escrow: 3,334,494 ordinary shares.

The restriction will lift when the Company's trading window opens after the Company announces its full year FY2022 results in August 2022.

Share buy-backs

The Company is not currently conducting an on-market share buy-back.

Voting rights

Fully Paid Ordinary Shares

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

CORPORATE DIRECTORY

Annual General Meeting

The Annual General Meeting will be held at 10.00am (AEDT) on Friday, 19 November 2021.

Company Secretary

Andrew Metcalfe (appointed 13 September 2021)

Registered Office and Principal Place of Business

Tower Four Collins Square
Level 16, 727 Collins Street
Docklands VIC 3008

Telephone: +61 3 7002 4500

Corporate Governance Statement

The Company's Corporate Governance Statement is available at the Company's Investor Centre at https://investors.pexa.com.au.

Share Registry

Link Market Services
Post: Locked Bag A14, Sydney South NSW 1235 Australia
Email: registrars@linkmarketservices.com.au
Telephone: 1300 554 474
Website: www.linkmarketservices.com.au

Auditor

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000

Securities Exchange Listing

The Company's securities are listed on the ASX as PXA. The Company's securities are not listed on any other stock exchanges.

Website

www.pexa.com.au

PEXA