ANNUAL REPORT
2022

PEXA

PEXA Group Limited
ABN 23 629 193 764

Contents

PEXA'S COMMITMENT TO VALUES, PEOPLE AND COMMUNITY UNDERPINNED FY22 PERFORMANCE

80%
TEAM ENGAGEMENT
Top quartile[1]

8.9/10
BRAND TRUST RATING
Up **0.8pts** YoY

+74
NET PROMOTER SCORE
Up **6pts** YoY

85%
PEXA EXCHANGE TRANSFER PENETRATION
Up 5ppts YoY

4.05M
PEXA EXCHANGE TRANSACTIONS
Up **22%** YoY

COMPANY HIGHLIGHTS

$153M
PEXA EXCHANGE EBITDA[2]
Up **38%** YoY and **21%** on Prospectus forecast

$280M
REVENUE
Up **27%** YoY and **13%** on Prospectus forecast

55%
PEXA EXCHANGE EBITDA MARGIN[2]
Up **5ppts** YoY and **4ppts** on Prospectus forecast

1. vs CultureAmp "New Tech" benchmark.

Highly engaged team executing on clearly articulated strategy, delivering strong outcomes for customers

PEXA Exchange supported record Australian property transaction volumes

PEXA International delivery progressing as planned, UK launch imminent

PEXA Insights and PX Ventures progressing well with investments and programmatic M&A contributing to long-term growth

Strong financial performance versus prior year and ahead of Prospectus forecast

Structured and resourced across talent, capital and capability to deliver growth

$38M

NPAT[2]

up **$43m** YoY and **94%** on Prospectus forecast

$121M

FREE CASH FLOW (BEFORE CAPEX, FINANCING AND TAX)[2]

Up **7%** YoY and **11%** on Prospectus forecast

$22M

NPAT (STATUTORY)

up **$34m** YoY and **$24m** on Prospectus forecast

1.47X

NET DEBT TO PEXA EXCHANGE EBITDA[2]

Down **35%** YoY

2. Pro forma PEXA Exchange EBITDA, PEXA Exchange EBITDA Margin, NPAT and Free Cash Flow Conversion.

ABOUT PEXA

Property Exchange Australia (PEXA) is a multi-award winning, ASX-listed, homegrown property technology business, harnessing technology to revolutionise the way property is bought and sold in Australia for the betterment of homeowners nationally. PEXA has developed and operates the world's only fully digitised property settlement platform.

A Council of Australian Governments (COAG) deregulation initiative designed to streamline the property settlement process, PEXA's technology is now involved in the safe and efficient settlement of over 85% of all land transactions across Australia.

The backbone of this country's largest asset class – residential property – more than 160 financial institutions and more than 9,700 legal and conveyancing firms in Australia rely on PEXA every day for the effective settlement of property.

In short, we connect people to place.

More than 20,000 families per week settle their home through the PEXA Exchange. As the inventor of what is now critical infrastructure at the core of home ownership, we are also committed to helping governments, industry and homebuyers to address the issues of housing affordability, future infrastructure needs and homelessness.

By virtue of our day job, PEXA puts people into homes. As a natural extension of that, PEXA has partnered with Homes for Homes to tackle homelessness through the creation of more sustainable and affordable housing. But there is more we can do.

With over 12 million property transactions having crossed our platform to date, PEXA has access to the largest database of real time property data of any provider nationally; data that can appropriately drive meaningful insights, contributing to fit-for-purpose housing policy and reform, providing all Australians access to security.

And it's not just locally that we have a positive impact. PEXA is also leveraging its intellectual property to develop robust technology solutions for international markets. With the United Kingdom (UK) as its starting point, PEXA is working closely with Her Majesty's Land Registry, the Bank of England and the UK banking sector to deliver digital solutions that enable consumers to access more competitive interest rates faster, reducing mortgage stress.

To help the greatest number of individuals access appropriate housing, PEXA is also investing in digital tools and technologies, and partnering with other providers to create solutions that add value to government, consumers and the property industry.

Our core values are: Better Together; Innovate for Good; and Make it Happen, Make it Count. And we will.

PEXA currently employs more than 500 people across Australia and the UK. It is recognised as one of Australia's premier employers via the Best Place to Work Awards and leads the industry on brand trust with a rating of 8.9/10 [1].

We are passionate about building and sharing our talent with the world and identifying opportunities to extend our offering and capabilities across the property tech eco-system. This includes paying tribute to our own humble beginnings through support and mentorship for other emerging homegrown tech start-ups.

We believe alongside our partners we can address housing affordability, create more jobs and deliver better outcomes for consumers, both here and abroad.

1. PEXA Brand Research December 2021, Nature.

CHAIRPERSON'S LETTER

Welcome to PEXA's 2022 Annual Report, our second as a publicly listed company.

The year just completed was another positive one for the Company and for that I would like to thank all our stakeholders, and particularly our members and our employees, who both continue to rate PEXA very highly.

As I reflect on the year just completed, the things that stand out for me are these:

- The PEXA Exchange continued to perform strongly, reflecting not only a buoyant property market but also our own efforts to bring ACT online and work with partners to improve on-time settlements and maximise system security and reliability
- We made substantial progress towards launching a business in the UK, which will initially offer digital mortgage refinance capabilities through a small number of institutions, but with plans to add more institutions and platform capabilities over time
- Working with governments and regulators, we have made important progress in developing and making fit-for-purpose the ways in which our sector will be overseen and allowed to develop
- We made investments in data businesses as we work to broaden our property insights capabilities and leverage PEXA's comprehensive and up-to-date market information resources
- Despite a very competitive market for talent, we were successful in bringing some highly regarded senior leaders into the organisation and we are already benefitting from their fresh thinking and leadership.

In other developments, we invited Helen Silver to join the Board. Helen brings a wealth of experience working across financial services in Australia, which she combines with equally deep experience and relationships across state governments, particularly in Victoria. We are delighted that she has joined us.

Similarly, we have started the process of putting in place a UK board, which will soon become important to local regulators, and are delighted that John Hooper has

agreed to be our local Chairperson. John is not only deeply experienced and highly regarded in UK financial services circles, he also has strong connections with Australia and an affinity with PEXA.

While we are very pleased to have exceeded our Prospectus commitments, our objectives for the year ahead remain strongly aligned with the strategic priorities set out at the time of our listing. We look forward to the progressive realisation of our Company's market potential.

We thank you for your interest and support.

Yours sincerely,

Mark Joiner
Chairperson

GROUP MANAGING DIRECTOR & CEO'S LETTER

I am delighted to present PEXA's 2022 Annual Report covering the 12 months ended 30 June 2022 (FY22).

I would like to thank all our stakeholders, our customers, and importantly our passionate PEXA team, for their ongoing efforts, energy, and support in driving the continued growth in our business over the past year.

PEXA delivered another good operational and financial performance in FY22, with positive key metrics demonstrating the growth in our portfolio of products and services.

In Australia, PEXA Exchange volumes were up 22% to 4.05 million property transactions. Revenue grew 27% to $279.8 million, and pro forma PEXA Exchange EBITDA grew 38% to $152.7 million.

The PEXA Exchange platform facilitates property settlements for over 160 financial institutions, over 9,700 practitioner firms, and had over 1.1 million consumers transacting on it over the past 12 months. Our already high customer Net Promoter Score further increased 6 points to 74.

By the end of FY22 the PEXA Exchange platform had facilitated the settlement of more than $2.4 trillion in transaction value since inception, growing market share in Queensland and entering into the ACT market. We continued to **enhance** our PEXA Exchange service in Australia by adding new services and geographies, while maintaining ongoing engagement with our regulators in relation to industry reform.

In FY22 we also continued to execute, as planned, on our strategy to:

- **Expand** PEXA in certain international markets, starting with our entry into the UK. PEXA Pay was appointed the 7th net settlement payment scheme to clear through the Bank of England. We also built out our platform, and successfully tested with seven financial institutions. We have now signed up our first lenders and are on track for a 'go live' in the UK in September 2022.
- **Extend** our services with data via PEXA Insights and build out in the property ecosystem with PX Ventures. Both have seen the development and launch of new products, further supported by several programmatic M&A opportunities and investments undertaken over the past 12 months and early in the new financial year.

Underpinning everything we do is a focus on our people and role in the community. We continued to **evolve** and invest in our people, through initiatives such as PEXA Flex First, our Wellbeing Framework, career growth and our campus collaboration series. The strategic investment in our people is reflected in our employee engagement score of more than 80% (ranking PEXA in the top 25th percentile of global tech companies) and external recognition of PEXA as a great place to work. Our positive employee engagement and trust in the community, through partnerships such as Homes for Homes, has also contributed to our brand trust rating of 8.9/10.

Supported by a robust balance sheet, we look forward to further progressing our growth initiatives in the coming year. While current market conditions are challenging, the strength of the PEXA Exchange, combined with our targeted and strategic growth opportunities, puts PEXA in a good position to continue to deliver on our growth plans, noting the ongoing execution and market risks.

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

Yours sincerely,

Glenn King
Group Managing Director & CEO

A TRANSFORMATIVE YEAR FOR PEXA

JUL 2021

1 JUL
PEXA lists on ASX

SEP 2021

8 SEP
Launched Refinance Index

23 SEPT
Received approval to operate in ACT

OCT 2021

18 OCT
First Insights products launched with focus on financial institutions

18 OCT
Mortgage Collateral Monitor launched

DEC 2021

8 DEC
Digital property settlements live in ACT

17 DEC
First four party settlement lodged in ACT

FEB 2022

3 FEB
Collaboration with Honey Insurance to offer Australian home buyers and sellers a simpler and smarter option for home insurance via a secure app

14 FEB
Partnership with Melbourne Business School

23 FEB
Announced acquisition of 38% stake in Landchecker

APR 2022

7 APR
PEXA and Homes for Homes join forces to deliver affordable housing across the country

12 APR
PEXA Pay (UK) becomes seventh net settlement payment scheme to clear through Bank of England

12 APR
Partnership with ClearBank to broaden access to PEXA UK's platform

MAY 2022

23 MAY
MyView launched

JULY 2022

17 JUNE
Acquisition of 26.5% stake in Australian artificial intelligence company Elula

AUG 2022

10 AUG
PEXA UK signs up its first wave of lenders to 'go live', and appoints UK Board

25 AUG
Partnerships with universities extended to Deakin

26 AUG
Announced acquisition of demographic consulting company .id, investment in property analytics solution Slate Analytics and partnership with proptech Sorted

THE PEXA EXCHANGE

PEXA is an Electronic Lodgement Network Operator (ELNO), facilitating the lodgement and settlement of property transactions through an integrated digital platform, the PEXA Exchange, which connects 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 PEXA Exchange maintaining 99.9% availability across FY22.

PEXA supports the largest asset class in Australia, residential property, facilitating around 85% of transfer transactions and 99% of refinancing transactions. Registered PEXA Exchange Subscribers total more than 9,700 practitioner firms and more than 160 financial institutions.

75,000 buyers and sellers used PEXA Key during FY22 to settle their property.

User rating: Apple App Store rating of 4.2/5, and a Google Play rating of 4.2/5.

Customer experience

PEXA Exchange offers its members, and the homebuyers and sellers they represent, a range of additional value-add tools, including:

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 FY22, more than 4,400 'Projects' completed, resulting in the seamless, coordinated settlement of more than 65,000 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 2022, the four largest Australian banks have adopted PEXA Planner as a tool for property settlements. PEXA also welcomed 50 further subscribers in the form of other lenders, 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 2022, more than 11,000 frontline bank employees across eight financial institutions were using PEXA Tracker on a regular basis.

How does the PEXA Exchange generate revenue?

The PEXA Exchange generates revenue based on volume and type of transaction. Most transactions comprise a financial settlement between the parties and a simultaneous fees lodgement of documents with a land registry. PEXA's fees are paid as part of completing each transaction.

PEXA does not charge set-up fees or subscription costs and only charges its subscribers per successful PEXA Exchange transaction. 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.

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.

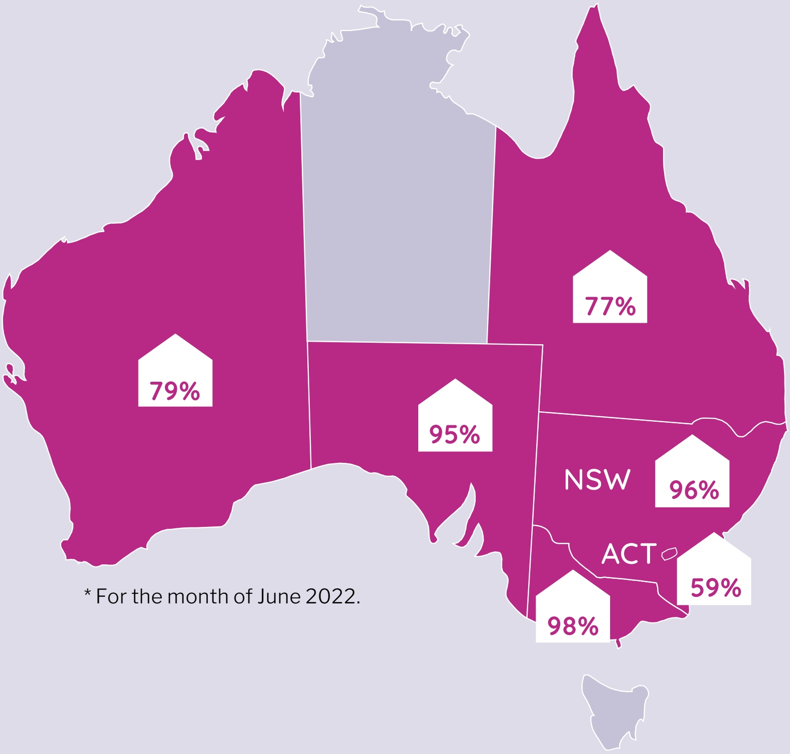
Under the Model Operating Requirements, the PEXA Exchange has a pricing policy that allows for price adjustments based on CPI and regulatory input cost changes.

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 360,000 transactions per month in June 2022, supported by new transaction types and jurisdictions being onboarded.

In FY22, PEXA completed more than 4 million PEXA transactions with a property settlement value of more than $900 billion.

AUSTRALIA'S LEADING ELECTRONIC LODGEMENT NETWORK OPERATOR



* For the month of June 2022.

Estimated transfer market penetration in all active jurisdictions

FY22 more than 787k sales settlements

FY22 more than 408k refinancing settlements

9,700+ practitioner firms

160+ financial institutions

1.1m+ consumers

6 Land Title Offices (LTOs)

5 State Revenue Offices (SROs)

Integrated with the RBA

Integrated systems:
11 software providers

2022 AUSTRALIAN HR AWARDS EXCELLENCE AWARDEE
EMPLOYER OF CHOICE (100-999 EMPLOYEES)

australian service excellence awards csia 2022 finalist

CUSTOMER EXPERIENCE

PEXA strives to be customer led – we regularly engage with our customers and use our data and insights to gain a shared understanding of who they are, and what they need and want. We then work as a team to deliver a personalised experience that simplifies the process for them, ensuring that they can help their clients and customers settle their property on the day they hope to.

We strive to bring our customers to life for our people every day so they are empowered to deliver the right solutions in the different roles they play to support the great experience we deliver. We do this through events such as our customer summit where we invite our people to hear from industry customer service experts, hear from our customers, listen to support calls and do exercises to walk in our customers' shoes and try our products for themselves.

PEXA has high customer engagement and satisfaction:

- PEXA Exchange Net Promoter Score (NPS) of 74, up 6 from June 2021
- Member Effort Score (MES) of 73, up 17 from June 2021
- On Day Settlement (ODS) of 73%, up 5% from June 2021, meaning c.30,000 more home buyers were able to get into their property on time
- Member Satisfaction Score (MSAT) following a phone interaction with PEXA is an average of 97% for FY22
- First Call Resolution (FCR) with PEXA is an average of 93% for FY22
- PEXA Partner relationship score of 9.5/10
- Dedicated Customer Advisory Council
- #1 trusted brand in the industry.

INSIGHTS AND INSIGHT PRODUCTS

Australia's $10 trillion housing market is continuing to be rapidly transformed by digital technology innovations, like the PEXA Exchange.

The creation of significant volumes of property data is generating opportunities for new solutions that enhance decision-making in a market being reshaped by economic, environmental, and social factors. PEXA estimates that the total Australian market for information about property and property transactions could grow from $520 million annually today to over $1.1 billion annually over the next 5 years.

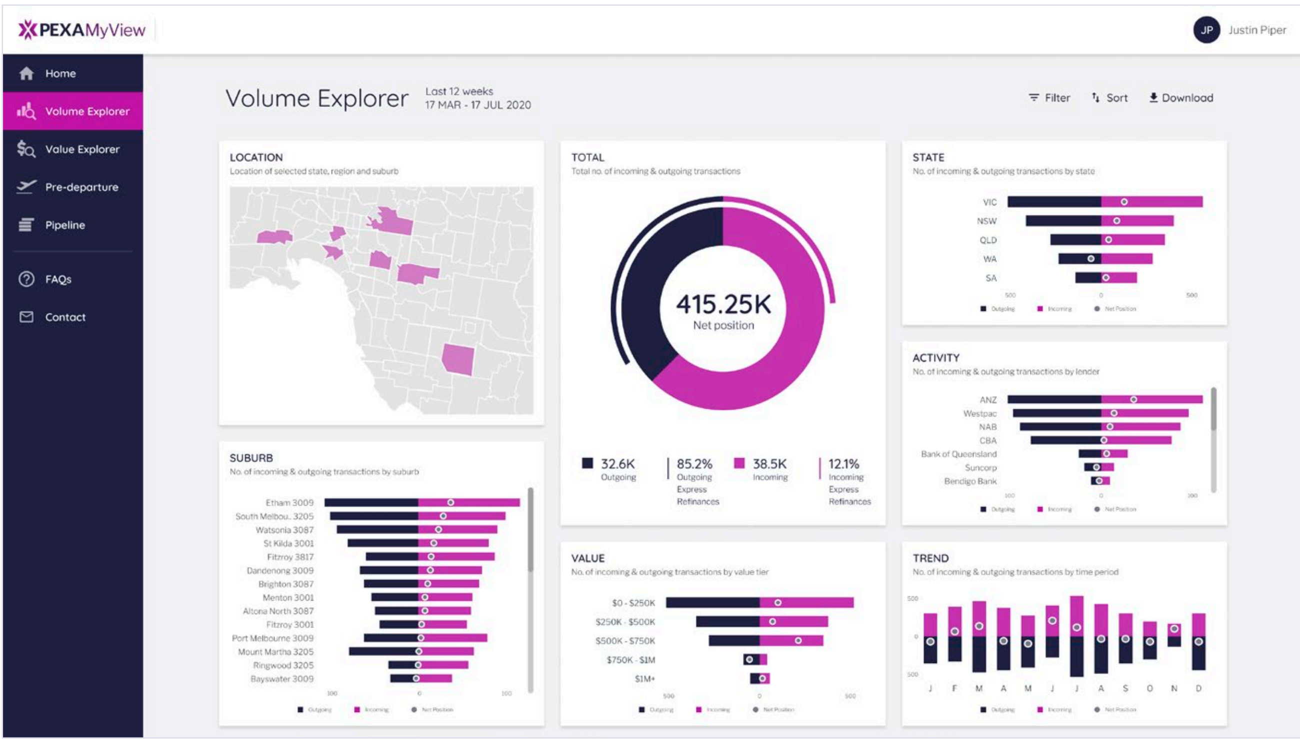
PEXA Insights' vision is clear – deliver a new generation of data solutions that empower businesses, governments, and consumers to appropriately make more informed property-related decisions. Greater insights have the power to transform property experiences for everyone and bring about positive social and economic change for the Australian community at large.

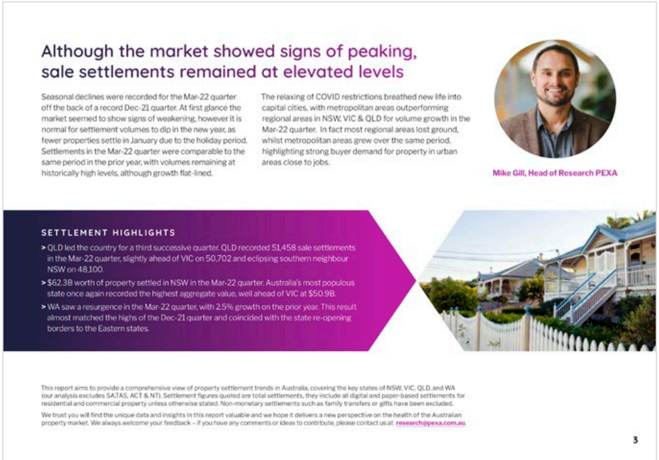
To realise this vision, we've built a team of over 60 data specialists within PEXA Insights. The team is focused on building a property data bureau and developing reports and solutions that appropriately leverage our unique access to near real-time, accurate and comprehensive national property data, which include:

- Quarterly Property and Mortgage Insights reports released throughout FY22 are providing a first glimpse of the power of our data
- With an initial focus on servicing financial institutions, we are working to deliver products to support risk and capital management and process optimisation
- With new product concepts under development and in beta, we are working towards several new product launches in FY23.

The PEXA Group set up and funded PEXA Insights to expand its service offering across four strategic focus areas: demand for land; use of land; transaction efficiency; and affordability, introducing new revenue streams and markets.

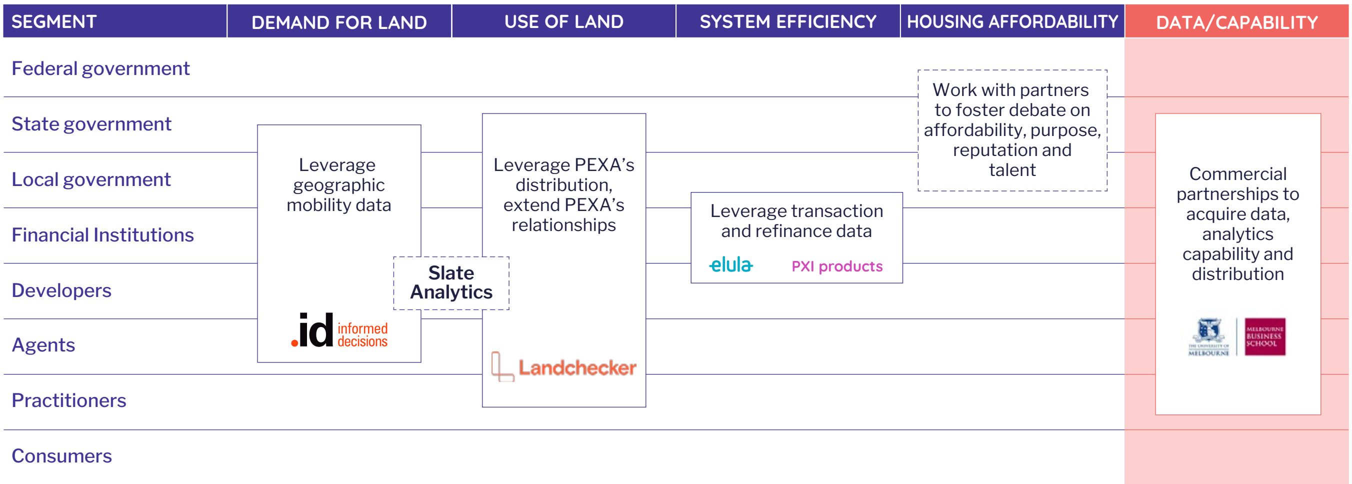
The proliferation of property data means that partnerships are key to realising our vision. Drawing on our in-depth understanding of Australian property data, we're pursuing partnerships with organisations that share our vision, including cutting-edge data firms and universities.





Our strategy is focused on building a property data ecosystem that can answer important questions facing Australians.

- Where is there demand for land, now and into the future?
- How can the use of land be optimised to increase valuations?
- How do we increase the supply of housing to ease affordability challenges?
- How do businesses in property value chains improve their business efficiency?



During FY22, we announced two strategic investments in Australian data firms.

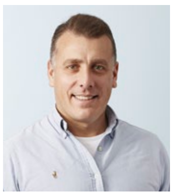
"As PEXA continues to build its reputation as a trusted leader in property data solutions, building an ecosystem with likeminded partners remains critical to our long-term success. In FY22 we were excited to announce our investments and partnerships with Landchecker and Elula, given the synergies between our businesses. Our vision is to build an ecosystem that complements our own data, people and reach, unlocking even greater value for Australian consumers, governments and businesses."

Scott Butterworth
Chief Data and Analytics Officer, PEXA

Landchecker

Will Leaf
Founder and Director, Landchecker

"The founders and the entire Landchecker team are all very excited about this transaction with PEXA and RACV. Working alongside these successful organisations will ensure Landchecker continues to successfully develop its offerings in pursuit of its aim, to become the most current and accurate property information business, trusted by all for property insights and data driven decision making."



Adam Gandolfo
CEO, Landchecker

"The Landchecker team are thrilled to be working alongside two of Australia's most trusted, respected and successful organisations in PEXA and RACV. As people-centric technology businesses, both PEXA and Landchecker share common values; an unwavering commitment to digital innovation in solution design with a recognition that the end customer, people, must always remain the primary consideration. With PEXA's support, Landchecker is now accelerating its growth, providing more people access to its leading platform and data products, which provide current, accurate and complete property information for faster, insight-driven decision making."

Elula

Josh Shipman
Co-Founder and Co-CEO, Elula

"Our goal, since we started, has been to make a meaningful and positive difference to businesses through the use of AI. We're excited by what the PEXA partnership will bring to further achieving this goal. Elula is delighted to be partnering with PEXA and this investment will allow us to accelerate our strategic growth plans by bringing new products to market."

Sarah Russell
Co-Founder and Co-CEO, Elula

"This investment by PEXA brings together two leading data businesses. It will allow us to further enhance Elula's proven product offering and develop new ways to add value for customers in an ever-changing environment."

Two further strategic investments in Australian data firms were undertaken post 30 June 2022:

- Acquisition of a 70% stake in Slate Analytics, a progressive property analytics and technology solution co-developed by the University of New South Wales and FrontierSI. This investment complements PEXA's 26.5% investment in Elula.

  PEXA will leverage its deep technical capability to bring the tool to life, allowing financiers, insurers, developers, government and consumers to benefit from more accurate property valuation data. The tool has application for PEXA's financial institution customers, potentially expediting the mortgage approvals process on behalf of homebuyers nationally.
- Acquisition of 100% of .id, a leading Australian-grown demographic-based consulting company. .id is a land information business that provides demographic and economic data and forecasts at the micro-geographic level to over 300 local councils across Australia and New Zealand.

  This business provides local government with insights around the "demand for land" focus area, with the intention to further both organisations' positions as leaders in property insights, products and services. It has become the trusted resource for land information, and together with PEXA's market-leading information on internal migration patterns, which is a key input into determining land demand, we believe that jointly we could deliver an even greater offering to both councils and the wider property industry.

Open data

With businesses and governments rapidly digitising services, data sharing is a key opportunity for the Australian economy. More open data flows have the potential to reduce friction for consumers and businesses, while driving competition that stimulates innovation and economic growth. PEXA is continuing to advocate for more open and ethical regulatory regimes for the use of data within the Australian economy, including property data.

As PEXA builds and implements solutions to answer increasingly significant questions for policy makers, government, commercial players, and the wider community, we follow the guiding principles set out below to ensure we are doing so responsibly, ethically and with society in mind:

- **PEXA systems should incorporate "privacy and security by design"**, with privacy and security controls at the core of our data handling, processing, and analytic platforms
- **Open access to information** enables our customers and the community to make informed decisions
- **Ethical use of data** that carefully preserves and respects individual rights without bias or prejudice, while positively promoting PEXA's values in line with the community's expectations.

As PEXA Insights continues to grow, leveraging data in an ethical manner than preserves the rights of individuals is central to our approach. We believe that open access to information within such parameters will enable Australia to benefit from innovative new data solutions that enhance property decision making.

The Ethical Advisory Council (EAC) has been established to guide our business on the evolving legislative and technology landscape we operate within, ensuring ethical product development that champions a 'security by design' approach while supporting regulatory engagement.

Chaired by PEXA's Chief Data and Analytics Officer, Scott Butterworth, the EAC includes independent members from industry who provide expert advice to PEXA Insights' management:

Dr Ian Oppermann, Chief Data Scientist, NSW Government

Dr. Ian Oppermann is the NSW Government's Chief Data Scientist and an Industry Professor at University of Technology Sydney, with nearly 30 years of experience in the Information and Communications Technology (ICT) sector spanning senior management roles in Europe and Australia.

Malcolm Crompton AM, Partner, ISS Partners

Malcolm Crompton AM has more than 20 years of experience in privacy, including as Australia's Privacy Commissioner from 1999 to 2004. A founder and Partner at ISS Partners, he is a leading privacy expert, advising private and government clients on privacy matters across a wide range of industries.

In FY23, we will build on the foundations we've laid over the past year, which include:

- Working with technology sector partners on policy advocacy, backing regulation that will protect privacy and data while positioning Australia as a digital economy regulation leader
- Engagement with the Commonwealth's Statutory Review of the Consumer Data Right (CDR), explaining our support of an economy-wide CDR, including in the property sector
- Continuing our engagement with regulators and land registries, to explain the significant benefits for consumers and the economy that solutions utilising land information can deliver.

Given this, we are continuing PEXA's advocacy for more open and ethical regulatory regimes for the use of data.

HOUSING AFFORDABILITY

Governments devote enormous amounts of time, effort and money to help Australians realise the dream of buying their own home. But there is another group of forgotten Australians who have far more modest ambitions – all they want is a roof over their heads.

Homelessness has been and remains a major issue in Australia and is a key area of focus for PEXA.

Homelessness Australia estimates over 115,000 Australians are experiencing homelessness and almost 300,000 people will seek the support of homelessness services this year as they escape violence and the shortage of social and affordable housing. Those figures have remained stubbornly high over the past five years and with rents increasing by 9.7% over the past 12 months, the problem is likely to get worse.

Certain demographics are also more vulnerable than others. Of the 278,300 people who sought homeless services in 2020-21, 60% were women, 42% were experiencing family and domestic violence, 32% had current mental health issues, 26% were indigenous Australians and 24% were aged between 12-24 years.

Numerous factors can trigger homelessness – including sudden job loss, illness or injury – and it can happen to anyone. By definition, it is not only those sleeping rough (7%) but those who couch surf, move between accommodation, or are forced to sleep in cars.

Reducing homelessness can have significant social upside in addressing those root causes of disadvantage. Having a roof over your head is not only a basic right but has enormous flow-on benefits. That is why PEXA is a major supporter of the Homes for Homes social enterprise, which seeks to help end homelessness in Australia by asking property owners to donate 0.1% of the sale price of their property, which is then pooled and disbursed to community housing providers. We also support those who strive to build awareness of the issue through other mediums, such as the team behind a recent Australian indie feature film 'Some Happy Day'.

There are no easy answers to homelessness. These are problems that need to be untangled thoughtfully, not simply by throwing more money at the market. We cannot keep trying the same solutions and coming up with the same poor results.

Policymakers need an even greater level of granularity of data, showing trends and impacts at a demographic level, not at a state or national level. We need research based on people and property. The buying and selling behaviour of demographic segments – the young, families, the vulnerable, women, indigenous Australians, immigrants and so on – will help determine the root causes of housing disadvantage and help governments to design more refined policies to tackle homelessness.

At PEXA, we believe more timely and accurate data will help governments better understand the problems and drivers, enabling them to formulate more targeted and effective policy responses and measure their impact. PEXA is primed to help. But with rents continuing to increase, the problem is likely to get worse.

THE HOUSING MARKET – TRENDS ACROSS FY22

FY22 was an extraordinary year for Australia's housing market, posting record numbers for property sale settlements, refinances and new loans against a backdrop of rising interest rates and inflation, growing housing affordability concerns and a rising cost of living impacting consumer sentiment.

A tale of two halves for property sale settlements

Australia's east-coast property market delivered back-to-back record-breaking financial years, with more than 628,000 residential property sale settlements – worth an aggregate $554 billion – being completed in the year.

Western Australia also preformed strongly, almost reaching 100,000 sale settlements for the year.

The nation's most populous states, Queensland, New South Wales and Victoria all experienced year-on-year volume growth for property sale settlements, with Queensland leading the way with 220,692 residential settlements, up almost 12% from FY21.

Western Australia

- Recorded 95,315 property sale settlements, up almost 10% from FY21.
- Aggregate value of property sale settlements reached $55.2 billion (up 27.8% year-on-year).

Queensland

- Led residential property volumes – recording 220,692 property sale settlements (up 12% year-on-year) worth more than $148 billion (up 36% year-on-year).
- The Surfers Paradise and Broadbeach postcodes combined for an aggregate sale settlement value of approximately $6 billion.

New South Wales

- Highest aggregate value of residential settlements for the second year in a row, recording 206,052 settlements (up 1.5% year-on-year) worth $238.5 billion (up 29% year-on-year).
- The state's commercial property sector grew 13% in sale settlements, worth $39.6 billion (up 61% year-on-year).
- Marsden Park placed third in the top ten postcodes for volume of residential sale settlements and came in at number one for the aggregate value of settlements (more than $3.5 billion).

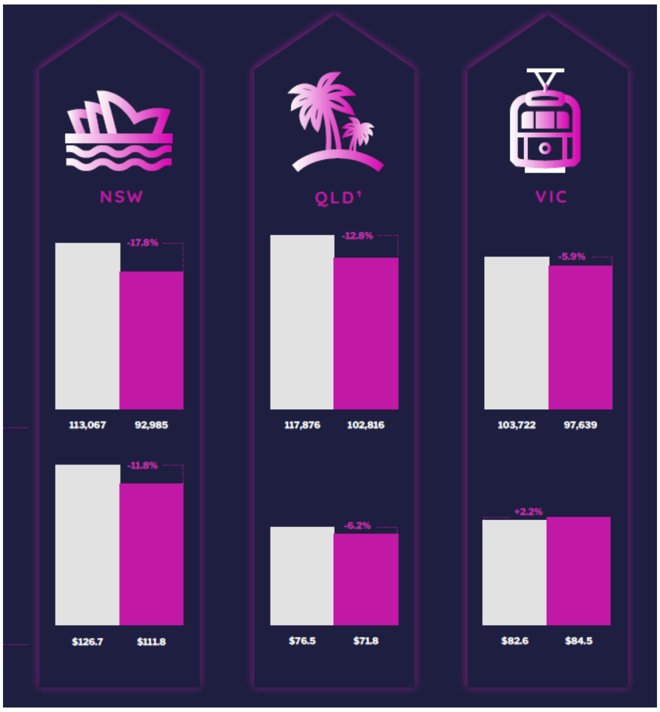
Victoria

- 201,361 residential property sale settlements (up 8.6% year-on-year) worth more than $167 billion (up 35% year-on-year).
- Strong commercial property sale settlements growth with 13,696 (up 24% year-on-year), worth an aggregate of $34 billion (up 50% year-on-year).
- Dandenong, Pakenham, Truganina and Epping took out the top four postcodes across the east coast for total volume of commercial sale settlements.
- Truganina, Craigieburn, Point Cook, Cranbourne East and Clyde North all made the top ten postcodes for volume of residential sale settlements.

Note: PEXA continues to work with the land registry and government in South Australia to unlock access to the State's property data. As market penetration of digital settlements increases in ACT, PEXA will include that region in future analysis.

However, all three states experienced a noticeable decline in sale settlements from the first half to the second half of the financial year, coinciding with the Reserve Bank of Australia's decisions to lift the official cash rate.

The below graphic compares first half results to the second half of the financial year.



More Australians than ever are refinancing

Australians adopted a proactive approach to managing their home loans amidst rising interest rates, with a record 331,976 property refinances recorded across Queensland, New South Wales and Victoria in FY22, up 29% on the previous 12-month period.

All three major eastern states posted significant year-on-year increases in 2022, with Victoria recording the highest volume of residential and commercial refinances at 131,287 (up 23.7% year-on-year), followed by New South Wales with 127,654 (up 25.8% year-on-year).

Queensland experienced the highest growth in refinances with 73,035 (up 49.8% year-on-year) completed during the year.

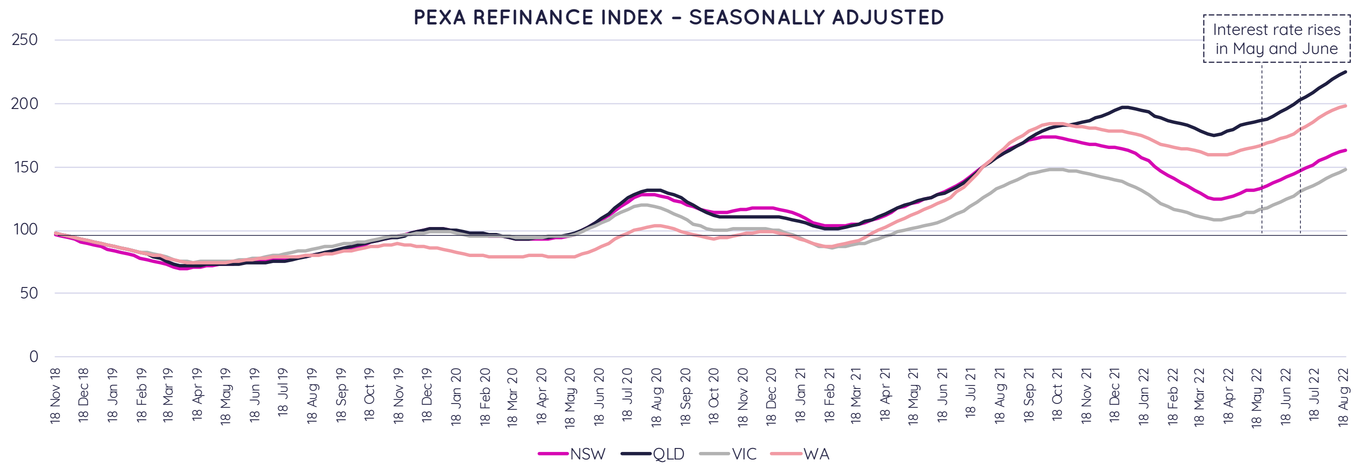
Western Australia saw more than 35,000 refinances for the same time period.

New loans follow similar trendline to sale settlements

All three eastern states recorded in excess of 150,000 new residential loans each, with Queensland leading the way again with 159,894 home loans completed in FY22. More than 472,304 new home loans being taken out across the eastern states in FY22. Victoria posted the highest growth in both new residential loans (157,666 loans – up 10.4% year-on-year) and new commercial loans (7,071 loans – up 35.8%).

However, despite a peak in December 2021, new loans trended downwards across the east coast in the second half of the financial year, with commercial loans following a similar trend.

Western Australia slightly bucked that trend, recording 72,583 new loans and only a 0.5% drop from the first to the second half of the financial year.



PEXA Refinance Index:
PEXA's Refinance Index provides timely insights into property refinancing in Australia. The seasonally adjusted index shows weekly changes in the number of refinances, by state, since the start of the index in Oct 2018. For example, if the index rises from 120 points to 140 points (increase of 20 points), this represents an increase of 20% compared to the starting point of the index. View the full index here. Seasonal variations have been smoothed to show the underlying trends more clearly.

INTERNATIONAL

The UK represents a priority international growth market for PEXA, with a total addressable market of A$700 million per annum.

"Given the significant volume of remortgaging activity in the UK market – and with volumes expected to increase as interest rates continue to rise – more streamlined systems are urgently needed for the benefit of conveyancers, lenders and, ultimately, customers."

James Bawa, CEO, PEXA UK

Designed with leading global software consultancy Thoughtworks, the PEXA platform will deliver a streamlined and automated solution that is integrated to Her Majesty's Land Registry and the Bank of England. It will be open to all market participants from mortgage lenders to lawyers and conveyancers, and it will enable fast, frictionless remortgaging and faster completions with more certainty, improving consumer outcomes.

The remortgaging process typically takes six to eight weeks in the UK, and slowed to as long as 12 weeks as a result of Covid-19 and the subsequent temporary changes to the Stamp Duty Land Tax. Not only do lengthy delays cause consumer frustration, but they also come at a cost. Remortgaging can save a homeowner an average of £824 across a five-year fixed-rate period, but according to PEXA research, one in five applicants drop out of the process because of delays.

PEXA's initial focus has been on the remortgage process in England and Wales.

I'm delighted to see fintech unicorn PEXA expanding to the UK. My team in Australia have developed a strong relationship with the PEXA team on their UK journey and I enjoyed meeting PEXA myself on a recent visit to Melbourne where we discussed their UK plans."

British High Commissioner to Australia, Vicki Treadell CMG MVO

In February 2022, PEXA announced the successful development of a brand-new payment scheme – PEXA Pay. To ensure our new remortgaging platform could expedite the settlement process, PEXA created PEXA Pay – the seventh net settlement payment scheme, with the Bank of England acting as the settlement agent.

The platform and payment scheme was successfully tested with a cohort of seven mortgage lenders, and the Bank of England has agreed to another cohort of lenders testing in October 2022. The first lenders have been signed onto the PEXA platform, and 'go live' with the first lender is scheduled to occur in September 2022, with subsequent waves of lenders to follow in 2023.

PEXA continues to work closely with conveyancers, lenders, regulators and government stakeholders as it further develops its proposition and builds out its ecosystem. We aim to have four lenders transacting on the PEXA UK platform, and aspire to sign up lenders representing c.20% of the England and Wales remortgage market volumes by the end of FY23.

We continue to explore and identify potential opportunities to further accelerate our strategic intent.

PX VENTURES

PX Ventures was launched in 2021 with the goal to build on PEXA's technological and property industry expertise and entrepreneurial culture with like-minded innovators.

PX Ventures offers funding, bespoke services, and mentoring to support continued innovation in the Australian property sector, bringing new products to market for businesses and consumers.

Through PX Launchpad, PX Ventures targets start-ups that offer products or services that could significantly transform the property journey for Australian consumers, businesses or governments. PX Launchpad has received more than 100 ideas from several up-and-coming Australian businesses interested in scaling and commercialising their offering.

PX Ventures continues to investigate other opportunities that will facilitate the property journey for key consumer groups.

Several ventures were launched or progressed with external partners during FY22, including partnerships with Business Advantage, Honey Insurance and Smaver. Post 30 June 2022, PEXA also signed a strategic partnership with Sorted Services.

Business Advantage

Our partnership with Small Business Australia continues, through the 'Business Advantage' program. Business Advantage offers PEXA members the support they need in running their business, including access to coaches, confidential advice, training and more. Today, this program has more than 700 members and continues to grow.

Honey Insurance

Australian start-up Honey Insurance helps remove the guess work for customers in receiving the right level of insurance cover, reducing the sign-up process from 30 minutes to 3 minutes. This collaboration provides Australian homebuyers and sellers a simpler and smarter option for home insurance via PEXA's secure app, PEXA Key.

Smaver

PX Ventures has also partnered with Smaver, an intuitive app to help new home buyers transition to a new community. Smaver helps homebuyers plan, organise and move with pro tips and access to great value offers from trusted providers in one convenient location.

Sorted

PX Ventures has signed a strategic partnership with Sorted Services, a local Melbourne proptech, to provide Australian homebuyers and sellers a convenient and connected home services experience, making it easy to access everything needed for their home, all available in one app. To be offered in FY23, the partnership will see PEXA rapidly expand the services and value we add to Australian homebuyers and sellers.

PEOPLE & CULTURE

PEXA employs more than 500 people on a fixed term, contract or casual basis. We are committed to supporting our people by advocating for change, driving progress and supporting inclusion.

Engagement

In June 2022, PEXA successfully met its corporate scorecard result on action and ranked in the top 25th percentile of a global New Tech benchmark. Through regular monthly pulse checks we have also seen positive results for diversity & inclusion, flexibility and wellbeing:

- 95% of PEXArians believe wellbeing is a top priority at PEXA
- 91% feel productive working under the new PEXA Flex First hybrid model
- 86% of PEXArians believe that PEXA builds teams that are diverse and inclusive.

Flex First

Our key initiative, which has scored exceptionally well, was our Flex First Policy launched in February. We have begun to curate a successful series of Campus and Clubhouse events to provide moments that matter for face-to-face collaboration, networking and camaraderie that has resulted in a steady increase of people coming into our key office locations.

Our Campus events are an opportunity to deep dive into parts of our business, exposing PEXArians to some of the great work underway. Our first Campus event focussed on our customers, with PEXArians invited to listen in on support calls, and meet members directly. It also included a panel of expert banking, legal and conveyancing professionals discussing firsthand the benefits PEXA brings to their business and the friction points they would like us to address. Likewise our ESG Campus day is an opportunity for the company to come together and learn more about our strategy to be carbon neutral by 2025 and what they can do to help.

Wellbeing and Workplace Experience

In FY22, we formalised our wellbeing strategy, centering it on the vision of creating opportunities focusing on holistic health and wellbeing, and around four key pillars: physical health and safety, mental health, education and support.

As part of this, we have rolled out a successful wellbeing series governed by our wellbeing framework launched in July 2022. Due to the success of the wellbeing strategy, PEXA has been shortlisted in numerous external awards including Best Health and Wellbeing Program and Best Employee Wellness Strategy. We have 50 PEXArians trained in mental health aid. 76% of PEXArians took at least one wellness day, with a total of 925 wellness days taken by PEXArians, which speaks to the success of the initiative.

PEXA partnered with Oranges Toolkit to provide engaging programs, wellbeing and resilience strategies for PEXArians. 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.

Diversity & 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.

The Diversity & Inclusion Committee continued into its third year in FY22 with passion and enthusiasm across all its pillars including Pride, Reconciliation, Disability & Wellness, Gender and Cultural & Linguistics. The Committee facilitated events for International Women's Day, International Men's Day, Diwali, NAIDOC week, Mardi Gras and neurodiversity. On three key D&I metrics, we placed in the top 25% global tech benchmark in our June engagement survey.

In line with PEXA's focus on diversity & inclusion, PEXA's Executive team is 50% female and 50% male (excluding the CEO).

Learning and Development

In FY22, we continued our individual PEXArian contribution of A$1,000 towards training and development and began design of the PEXA Academy to be launched in FY23. We had our second intake of graduates, who commenced in July 2021, and also participated in the Victorian Government's Digital Jobs program by taking on three technical interns. We continued to develop our people leaders, with a focus on wellbeing and hybrid working, and kicked off our second internal mentoring program in March with 50 employee mentoring pairs.

PEXA Equity Future program

In an exciting new chapter for the Company, PEXArians have been invited to own shares in PEXA beyond their normal salary and performance-based bonuses.

Supporting our PEXArians

- Six months' paid parental leave for primary carers
- Three months' paid parental leave for secondary carers
- Superannuation contributions during unpaid leave
- Childcare assistance up to $1,000 a month
- On-site school holiday programs
- Wellness initiatives:
  - Free flu shots
  - Healthy snacks
  - Gym sessions (virtual and in-person)
  - Mindfulness and meditation
  - Subsidised gym memberships
  - Financial literacy classes
  - Free confidential counselling via Assure.

ENVIRONMENT, SOCIAL AND GOVERNANCE

Building a sustainable future

At PEXA we look at our Environment, Social and Governance (ESG) responsibilities in the context of building our organisation for the long-term. Being sustainable is more than an intention, it's about taking proactive action to positively impact the lives of our people, our communities, and our planet.

We take our responsibility very seriously. It's why our ESG approach is integrated through our core values and business strategy. We feel it is only right that our ESG focus areas are transparent, tangible, achievable and committed publicly.

Our commitment to the environment – net zero by 2025

We recognise that the actions we take today are critical to protecting our planet for future generations. There is no longer an option for organisations to sit idle. It's why we're committed to understanding our impact and taking action to address our footprint, aligning our initiatives to globally agreed goals.

We all have a role to play in creating a sustainable future, and PEXA is passionate about leading the way forward. PEXA's environmental statement is written to transparently outline how we approach and foster a sustainable culture throughout our business and broader operating network.

Our approach is founded on the following principals:

- **Transparency is key for us.** Although we only truly focused on our journey to identify and address our carbon footprint from 2020, we are conscious to ensure we take all team members and industry on the journey with us. We believe the best way to tackle our impact is to be open and honest about our journey so we can leverage best practice and collaborate with peers to deliver real outcomes. It is for that reason that we publish our Greenhouse Gas Emissions reporting on our website
- **Progress over perfection** helps to keep the dial moving. We commit to leaning on the expertise of others as we build our internal capability, and will focus on continuous momentum to ensure incremental change
- **Ambition must equal action** as we deliver value through our environmental approach. While our footprint is relatively small due to being a digital business, we know our impact doesn't have to be. Every tonne of carbon we reduce helps contribute to the future of our planet, and our efforts are designed to inspire others
- **The ability to evolve and adapt** in an ever-changing environmental landscape is critical. In line with our overarching business strategy, our approach to sustainability is built on flexible foundations, to make sure we are consistently challenging our own views on success.

We promise to:

- **Consistently evaluate our impact**, the opportunities and the risks associated with climate change throughout our business, operations, and value chain
- **Take action** and address identified opportunities and risks, both within our direct control and across areas where we can influence
- **Transparently report on our emissions** reduction and offset strategy, supporting our commitment to become a net zero organisation by 2025.

ESG governance

PEXA has a Risk and Compliance Committee (RCC), which meets monthly, reporting into the PEXA Audit & Risk Committee. The RCC is accountable for evaluating both risks and opportunities across our organisation, including those which relate to climate change. This line of reporting provides both visibility and awareness of the risks and opportunities to our executive team and senior decision makers across the business.

PEXA evaluates and addresses risks and opportunities across the following key areas:

- Governance practices, processes, and policies
- Supply chain procurement and contract management for both new and existing suppliers
- Day-to-day operations, both on and offshore
- Engagement with stakeholders, customers, industry partners and our people.

Reducing and offsetting our emissions

PEXA conducted a greenhouse gas emission profile for FY21, with 96.4% classified as Scope 3 (the FY22 greenhouse gas assessment is underway with Pangolin Associates). This makes for a challenging landscape in which to achieve real reductions throughout our value chain, as although these emissions are a consequence of PEXA's activities, they are derived from sources that are not owned or controlled by PEXA.

We take our responsibility to the environment seriously and want to leave no stone unturned to both reduce our carbon impact, and/or offset accordingly to achieve net zero. As a majority Scope 3 organisation, we have embraced a hybrid approach, tackling emissions reduction while leveraging a strong offset strategy in order to balance our impact.

Offsetting our footprint is a necessary step for PEXA. Acknowledging that not all offsets are created equal, we are committed to investing in projects that provide high value to the environment and community, are onshore where possible, and meet regulatory standards. We will do our due diligence to ensure every dollar is contributing to building a sustainable future for generations to come. We are proud of our environmental position and look forward to the journey ahead.

In FY22, we offset 25% of our FY21 emissions profile by investing in Australian Carbon Credit Units (ACCUs) through the Nyaliga Fire Project.

The Nyaliga Fire Project aims to reduce carbon emissions by up to 40% through indigenous fire management practices. PEXA's investment in ACCUs created by this project will help protect the ecological habitat of local plants and wildlife, facilitate access and connection to country for traditional custodians and their families, and support the sustainability of ongoing fire management in the area, delivering economic benefits to the local community.

Social impact – how we're giving back to the community

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.

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 has granted $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.

In March 2022, Homes for Homes announced the recipients from the most recent grant funding round in which PEXA contributed to. We feel privileged to play a role in this process and are humbled by the incredible organisations and their initiatives that will impact the lives of so many vulnerable Australians.

Grant funding recipients:

- Venture Housing Company in Johnston, Northern Territory received $70,000 to purchase and convert an existing privately rented three-bedroom property into affordable housing for low-income earners who are in housing stress in the private rental market
- City Ventures Townsville, Queensland received $50,300 to upgrade existing accommodation to enable young people to build their capability in long-term self-sufficiency and independent living skills as they re-engage in the community
- Coast2Bay Housing Group in Nambour, Queensland received $18,179 to increase the standard of living for ten women over 55 who will benefit from more affordable rental costs.

The next round of funding will be allocated in New South Wales and Western Australia, with recipients to be announced in late 2022.

Our growing relationship with SisterWorks

SisterWorks is a not-for-profit focussed on empowering female refugees, asylum seekers and migrants by generating work and entrepreneurship opportunities. In 2021, PEXA hosted a community hack day, where PEXArians designed solutions for six of SisterWorks' business challenges. In 2022 we have continued to support the implementation and solution design through skills-based volunteering.

The journey to reconciliation

As part of the community, it is critical that Australian businesses commit to the national reconciliation journey. There are opportunities for PEXA to positively contribute given the reach of our network and our purpose which, like reconciliation, is connected to themes of property and land.

PEXA has committed to developing and implementing an Indigenous Engagement Strategy, focused on employment, procurement and community, which will drive our contribution towards this important national journey. We are also a supporter of the Uluru Statement from the Heart and believe a First Nations Voice to Parliament enshrined in the Constitution, and the establishment of a Makarrata Commission for the purpose of treaty-making and truth-telling are critical first steps.

Ethical governance

To build a better future that delivers lasting value, our ESG approach must be integrated through our business strategy as well as our enterprise risk management system. We aim to capture material risks and opportunities, monitoring both progress and risk mitigation.

Responsible sourcing

By having the right processes, policies and procedures in place, we ensure that we're never complacent in our approach to sourcing and partnerships. Our values sit at the heart of how we operate, and this incorporates our extended network of partners and suppliers.

We are committed to educating our organisation and taking proactive action on the reality of modern slavery risks. We take our role in responsible sourcing seriously and take pride in disclosing our progress publicly.

Evaluating our impact

- GRESB 5 star rated organisation
- Scoring 92/100 in 2021

As members of the Global ESG Benchmark for Real Assets (GRESB), PEXA completes a GRESB assessment each year to ensure our progress is reviewed against global sustainability standards and we're consistently building on our commitments.

Volunteering

Volunteering brings ordinary people together to do extraordinary things. We're committed to giving back to our communities and empowering employees to dedicate time to organisations closest to their heart. To connect PEXArians with more than 1,500 volunteer and fundraising opportunities we've partnered with GoodCompany, our Workplace Giving platform.

We are so proud of our collective community impact across FY22. This year our teams have participated in monthly volunteering opportunities, team building activities, incorporated community efforts, and more than $50,000 was fundraised by PEXArians and our members through dollar matching campaigns, including:

- Vinnies CEO sleepout – Glenn King raised $9,558, which will enable Vinnies to deliver vital services like support programs, beds and meals, night vans and mental health support
- Flood relief in NSW and Queensland – to support those affected by the devastating flooding in early 2022, our network helped us raise $30,000 for the Red Cross. Our local teams got involved with clean-up efforts, engaging with the communities and our members most impacted
- Ukraine humanitarian aid – we raised more than $7,000 to support the UN with humanitarian aid in the wake of the outbreak of war.

MANAGEMENT COMMENTARY

Management Commentary

This commentary is designed to assist shareholders to understand 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 from 1 July 2021 to 30 June 2022 (FY22), including the comparative prior year period and includes pro forma numbers for FY22 and FY21 prepared on the same basis as presented in the PEXA Group IPO Prospectus released in May 2021. The pro forma adjustments in FY22 and FY21 reflect:

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

Due to the material impact of these changes, management has provided further information to supplement and further understand PEXA's year on year financial performance at 30 June 2022 on a pro forma basis rather than comparing the statutory reported financial information. Hence some of the analysis below is reported on a pro forma basis, with a reconciliation back to statutory results in section 1.3.

Measures included in this section incorporate 'non-IFRS financial information' presented under ASIC Regulatory Guide 230 'Disclosing non-IFRS financial information'. Management believes this non-IFRS financial information provides useful information to the users in measuring financial performance and condition of the PEXA Group. The non-IFRS financial information does not have a standardised meaning prescribed by Australian Accounting Standards.

1. Overview of Financial Results

PEXA delivered a year of strong growth in key financial measures monitored by management with pro forma Revenue, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation), NPAT (Net Profit After Tax) and NPATA (Net Profit After Tax and after adding back the tax-effected Amortisation of acquired intangible assets) for FY22 exceeding IPO forecast, and all improved on FY21. This performance was underpinned by strong revenue growth combined with prudent expense and capital 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	FY22	FY21	v FY21	FY22 Prospectus Forecast	v Prospectus Forecast
Revenue	279.8	221.0	27%	246.9	13%
PEXA Exchange EBITDA	152.7	110.4	38%	126.3	21%
EBITDA	130.5	101.8	28%	107.6	21%
NPAT	38.0	(4.9)	n.m	19.6	94%
NPATA	77.3	34.7	123%	59.2	31%

Management Commentary

Table 2: Statutory financial results

A$M; Year ended 30 June	FY22	FY21	v FY21	FY22 Prospectus Forecast	v Prospectus Forecast
Revenue	279.8	221.0	27%	246.9	13%
PEXA Exchange EBITDA	152.7	116.9	31%	126.3	21%
EBITDA	107.1	94.4	13%	75.6	42%
NPAT	21.9	(11.8)	n.m	(2.5)	n.m
NPATA	61.2	27.8	120%	37.0	65%

1.1 Statutory NPAT Result

The Group reported a statutory profit after tax of $21.9 million for the year ended 30 June 2022, up $33.7 million from the ($11.8) million loss in the previous year. Statutory revenue and cost of sales movements were in line with the pro forma movements explained in section 1.5. Expense movements are in line with the pro forma movements explained in sections 1.6, 1.8 and 1.9 plus the movements in offer cost, public company costs and MEP close out costs explained in section 1.3.

1.2 Pro forma NPAT Result

Pro forma NPAT of $38.0 million was up $42.9 million from the FY21 loss of ($4.9) million, and 94% ahead of the Prospectus forecast of $19.6 million.

The pro forma adjustments for FY22 and FY21 are reconciled to the statutory result in Table 3. The driver of higher NPAT against the pro forma result for FY21 was primarily increased EBITDA together with lower interest expense following the repayment of a Shareholder Loan in place pre-IPO.

1.3 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	FY22	FY21	v FY21	FY22 Prospectus Forecast	v Prospectus Forecast
Statutory EBITDA		**107.1**	**94.4**	**13%**	**75.6**	**42%**
Offer costs	1	24.0	8.2	192%	32.5	(26%)
Incremental public company costs	2	–	(6.5)	n.m	–	n.m
MEP close out costs	3	(0.6)	5.7	n.m	(0.6)	0%
Pro Forma EBITDA		**130.5**	**101.8**	**28%**	**107.6**	**21%**
Statutory NPAT		**21.9**	**(11.8)**	**n.m**	**(2.5)**	**n.m**
Offer costs	1	24.0	8.2	192%	32.5	(26%)
Incremental public company costs	2	–	(6.5)	n.m	–	n.m
MEP close-out costs	3	(0.6)	5.7	n.m	(0.6)	0%
Tax effect of adjustments	4	(7.2)	(0.5)	n.m	(9.8)	(26%)
Pro Forma NPAT		**38.0**	**(4.9)**	**n.m**	**19.6**	**94%**

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) was directly attributed to the issue of new Shares and was offset against equity raised in the Offer. The remaining $41.9 million (before tax) relates to the sale of existing Shares by the Selling Shareholders and is treated as an expense (within Offer costs), incurred across FY21, FY22 and post FY22. FY22 offer costs were lower than Prospectus forecast due to the final structure of the IPO resulting in lower underwriting fees than forecast.
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 to the FY21 results but were included in the statutory result in FY22.
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 and FY22 Income Statements reflect the ongoing cost of the MEP in FY21 and FY22 as though the Offer had not occurred.
4. Represents the income tax effect of pro forma adjustments of Notes 1-2.

1.4 Pro forma NPATA Result

NPATA considers and adjusts for the large amount of non-cash amortisation of acquired intangibles that is reflected in NPAT. Pro forma NPATA was $77.3 million, up $42.7 million (123%) from the FY21 result of $34.7 million, and 31% ahead of the Prospectus forecast of $59.2 million. Like NPAT, the driver of higher NPATA against the pro forma result for FY21 was primarily increased EBITDA alongside lower interest expense following the repayment of a Shareholder Loan in place pre-IPO.

Management Commentary

1.5 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	FY22	FY21	v FY21	FY22 Prospectus Forecast	v Prospectus Forecast
Revenue	279.8	221.0	27%	246.9	13%
Cost of sales	(34.5)	(29.3)	(18%)	(32.0)	(8%)
Gross profit	**245.2**	**191.7**	**28%**	**214.9**	**14%**
Gross margin %	*87.7%*	*86.7%*	*0.9%*	*87.0%*	*0.6%*

Note: Revenue and Cost of Sales for FY22 and FY21 are identified in the statutory financial report Statement of Comprehensive Income.

PEXA's pro forma FY22 gross profit grew 28% from FY21, driven by a 27% increase in revenue and an 18% increase in cost of sales.

PEXA's pro forma FY22 revenue grew 27% from FY21, driven by:

- Market volumes increasing by 0.50 million transactions, or 12%, from 4.22 million in FY21 to 4.72 million in FY22, which equates to an increase in revenues of $26.9 million
- PEXA's market share increasing by 7% of the total addressable market, resulting in 4.05 million PEXA Exchange transactions completed in FY22, an uplift of 0.72 million on the 3.33 million PEXA Exchange transactions in FY21. This equates to a revenue increase of $22.5 million
- Average pro forma revenue per PEXA Exchange transaction increasing from $65.74 in FY21 to $68.27 in FY22 (4%), which equates to a revenue increase of $8.4 million.

The increase in pro forma cost of sales of $5.2 million, or 18%, from $29.3 million in FY21 to $34.5 million in FY22, was driven by the PEXA Exchange transaction volume growth during the period. The average pro forma cost of sales per transaction decreased from $8.82 in FY21 to $8.52 in FY22 and pro forma gross margin percentage increased slightly from 86.7% in FY21 to 87.7% in FY22.

PEXA's pro forma FY22 gross profit was 14% above Prospectus forecast, driven by a 13% increase in revenue and 8% increase in cost of sales.

The 13% outperformance in pro forma revenue compared to Prospectus forecast was driven by:

- Market volumes increasing by 0.58 million transactions, or 14%, from 4.14 million in the Prospectus forecast to 4.72 million in FY22, which equates to an increase in revenues of $33.7 million
- PEXA's market share increasing by 2% of the total addressable market, resulting in 4.05 million PEXA Exchange transactions completed in FY22, an uplift of 0.57 million on the 3.48 million PEXA Exchange transactions in the Prospectus forecast. This equates to a revenue increase of $4.9 million
- Average pro forma revenue per PEXA Exchange transaction decreasing from $70.22 in the Prospectus forecast to $68.27 in FY22, which equates to a revenue decrease of $6.8 million. This was driven by a higher than forecast mix of lower-revenue refinancing transactions compared to higher-revenue transfer transactions.

The $2.5 million, or 8%, increase in pro forma cost of sales from $32.0 million in the Prospectus forecast to $34.5 million in FY22 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 $9.19 in the Prospectus forecast to $8.52 in FY22 and pro forma gross margin percentage increased slightly from 87.0% in the Prospectus forecast to 87.7% in FY22.

1.6 Pro forma Operating Expenses

Table 5: Pro forma operating expenses

A$M; Year ended 30 June	FY22	FY21	v FY21	FY22 Prospectus Forecast	v Prospectus Forecast
Product design and development	(25.9)	(23.2)	(12%)	(24.3)	(7%)
Sales and marketing	(19.6)	(20.1)	3%	(22.6)	13%
General and administration	(47.1)	(38.0)	(24%)	(41.8)	(13%)
Operating Expenses	**(92.6)**	**(81.3)**	**(14%)**	**(88.6)**	**(4%)**

Note: Pro forma operating expenses reflects statutory amounts included in the Statement of Comprehensive Income adjusted for offer costs, incremental public company costs (in FY21) and MEP close out costs noted in section 1.3 above. Total pro forma operating expenses can be reconciled to Resource costs and other operating costs included in the Segment result table in Note 5 of the financial statements.

PEXA's pro forma FY22 operating expenses were 14% higher than FY21 and were 4% above 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 $2.7 million, or 12%, from $23.2 million in FY21 to $25.9 million in FY22, primarily due to increased resource expenses to bolster architecture, cloud, cyber, API and management capabilities to enhance the technology underpinning the PEXA Exchange
- Pro forma sales and marketing expenses decreasing by $0.5 million, or 3%, from $20.1 million in FY21 to $19.6 million in FY22, due to a reduced spend on travel and customer events as a result of COVID-19 restrictions
- Pro forma general and administration expenses increasing by $9.1 million, or 24%, from $38.0 million in FY21 to $47.1 million in FY22, driven by increased employee costs and advisory fees to support group expansion, LTIP-related costs, higher insurance premiums and advisory fees relating to regulatory environment changes.

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

- Pro forma product design and development expenses increasing by $1.6 million, or 7%, from $24.3 million in the Prospectus forecast to $25.9 million in FY22, primarily driven by increased resource expense as PEXA brought-forward investment in capability, particularly in API, cloud, cyber and requisite management personnel
- Pro forma sales and marketing expenses decreasing by $3.0 million, or 13%, from $22.6 million in the Prospectus forecast to $19.6 million in FY22, primarily driven by lower than anticipated resource costs alongside lower travel and entertainment with COVID-19 continuing to reduce business-as-usual spend
- Pro forma general and administration expenses increasing by $5.3 million, or 13%, from $41.8 million in the Prospectus forecast to $47.1 million in FY22, driven by increased employee costs supporting PEXA's expansionary activities, advisory fees in relation to regulatory environment changes in the domestic market, higher insurance premiums and LTIP-related costs.

Management Commentary

1.7 Pro forma PEXA Exchange EBITDA

Table 6: Pro forma PEXA Exchange EBITDA

A$M; Year ended 30 June	FY22	FY21	v FY21	FY22 Prospectus Forecast	v Prospectus Forecast
Gross Profit	245.2	191.7	28%	214.9	14%
Operating Expenses	(92.6)	(81.3)	(14%)	(88.6)	(4%)
PEXA Exchange EBITDA	**152.7**	**110.4**	**38%**	**126.3**	**21%**
PEXA Exchange EBITDA Margin	*54.6%*	*50.0%*	*4.6%*	*51.2%*	*3.4%*

Note: Gross Profit for FY22 and FY21 is identified in the statutory financial report Statement of Comprehensive Income. Further detail on operating expenses is noted at table 5.

As well as EBITDA (see section 1.8), PEXA also reports PEXA Exchange EBITDA and PEXA Exchange EBITDA margin, as management considers 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 FY22 PEXA Exchange EBITDA was $152.7 million, up 38% against the FY21 pro forma result, reflecting 28% gross profit growth (see section 1.5) combined with a 14% growth in operating expenses (see section 1.6).

PEXA's pro forma FY21 PEXA Exchange EBITDA was 21% above the FY22 Prospectus forecast, reflecting a 14% gross profit improvement (see section 1.5) combined with 4% higher operating expenses (see section 1.6).

This resulted in a year-on-year improvement in PEXA Exchange EBITDA Margin (PEXA Exchange EBITDA as a percentage of revenue) of 4.6 percentage points to 54.6%, 3.4 percentage points above FY22 Prospectus forecast.

1.8 Pro forma EBITDA

Table 7: Pro forma EBITDA

A$M; Year ended 30 June	FY22	FY21	v FY21	FY22 Prospectus Forecast	v Prospectus Forecast
PEXA Exchange EBITDA	**152.7**	**110.4**	**38%**	**126.3**	**21%**
Project and expansion related costs	(19.7)	(6.5)	(201%)	(18.2)	(8%)
Other non Exchange-related costs	(2.6)	(2.1)	(23%)	(0.6)	(322%)
Total non Exchange-related costs	(22.2)	(8.6)	(158%)	(18.8)	(18%)
EBITDA	**130.5**	**101.8**	**28%**	**107.6**	**21%**

Note: Project and expansions related and other costs not attributable to the PEXA Exchange segment include costs relating to new business initiatives that have not generated material revenue in the years ended 30 June 2022 and 2021. Other non PEXA Exchange-related costs include redundancy and restructure expenses, foreign exchange movements and debt amortisation expenses.

PEXA's pro forma FY22 EBITDA was $130.5 million, up 28% against the FY21 pro forma result, and 21% above the FY22 Prospectus forecast.

The growth from FY21 reflects 38% growth in PEXA Exchange EBITDA (see section 1.7) and 158% growth in project, expansion and other non Exchange-related costs. The variance to Prospectus forecast reflects 21% higher PEXA Exchange EBITDA and 18% higher project, expansion and other non Exchange-related costs.

PEXA's pro forma FY22 total non-Exchange related costs were up 158% from FY21 and were 18% above FY22 Prospectus forecast.

Project and expansion related costs increased by $13.2 million, or 201%, from $6.5 million in FY21 to $19.7 million in FY22 as expenditure on new business initiatives increased. International expansion expenditure increased by $7.7 million, from $4.5 million in FY21 to $12.2 million in FY22, while PEXA Insights spend in FY21 increased by $4.4 million, from $2.0 million in FY21 to $6.4 million FY22.

Other non-PEXA Exchange costs increased by $0.5 million from $2.1 million in FY21 to $2.6 million in FY22, driven by the impact of losses on investments and unrealised foreign exchange losses.

Project and expansion related costs were slightly higher than Prospectus forecast, with International expansion costs $1.2 million higher than forecast and PEXA Insights spend $0.2 million higher.

Other non-PEXA Exchange costs were $2.0 million higher than Prospectus forecast, driven by higher than forecast non-recurring professional fees and impact of losses on investments and unrealised foreign exchange losses, neither of which were forecast in the Prospectus.

Management Commentary

1.9 Pro forma other expenses below EBITDA

Table 8: Pro forma other expenses below EBITDA

A$M; Year ended 30 June	FY22	FY21	v FY21	FY22 Prospectus Forecast	v Prospectus Forecast
EBITDA	**130.5**	**101.8**	**28%**	**107.6**	**21%**
Depreciation	(2.5)	(2.4)	(3%)	(2.1)	(19%)
Amortisation	(9.7)	(7.1)	(38%)	(9.3)	(5%)
EBITA	**118.3**	**92.3**	**28%**	**96.2**	**23%**
Acquired amortisation	(56.2)	(56.6)	1%	(56.4)	0%
EBIT	**62.1**	**35.8**	**74%**	**39.8**	**56%**
Net finance income/(expense)	(5.8)	(36.5)	n.m	(7.4)	21%
NPBT	**56.3**	**(0.7)**	**n.m**	**32.4**	**74%**
Income tax benefit/(expense)	(18.3)	(4.2)	n.m	(12.7)	(43%)
NPAT	**38.0**	**(4.9)**	**n.m**	**19.6**	**94%**

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

Depreciation was $0.1 million or 3% higher than FY21, and $0.4 million or 19% higher than Prospectus forecast, driven by higher levels of capitalised fixed assets in FY22.

Amortisation increased by $2.6 million, or 38%, from FY21, and was 5% higher than Prospectus forecast, due to increased levels of capitalised research and development.

Amortisation of acquired intangibles was in line with FY21 and Prospectus forecast.

Net finance income/(expense) was a cost of $5.8 million in FY22 compared to $36.5 million in FY21 due to the repayment of shareholder loans that accrued interest during FY21. These were replaced with external debt from 30 June 2021. It was $1.6 million lower than Prospectus forecast due to a lower than expected interest rate environment during the first nine months of FY22.

Income tax expense of $18.3 million was up $14.1 million from FY21 due to the higher level of net profit before tax. It was up 43% from Prospectus forecast also due to higher levels of net profit before tax.

2. Balance Sheet and Cash Flow

2.1 Balance sheet

Table 9: Summary balance sheet

	Actual Statutory	
A$M; As at	**30 Jun 22**	**30 Jun 21**
Current assets		
Cash and cash equivalents	75.4	51.5
Other current assets	42.9	33.1
Total current assets	**118.3**	**84.6**
Non-current assets		
Intangible assets & goodwill	1,500.0	1,517.3
Other non-current assets	44.0	11.2
Total non-current assets	**1,544.0**	**1,528.5**
Total assets	**1,662.3**	**1,613.1**
Current liabilities		
Trade and other payables	49.5	49.9
Shareholder loans	—	193.0
Other current liabilities	8.6	6.7
Total current liabilities	**58.1**	**249.6**
Non-current liabilities		
Borrowings	298.0	297.4
Other non-current liabilities	41.5	34.3
Total non-current liabilities	**339.5**	**331.7**
Total liabilities	**397.6**	**581.3**
Net assets	**1,264.7**	**1,031.8**
Equity		
Contributed equity	1,268.4	1,058.2
Reserves	8.5	7.6
Accumulated losses	(12.1)	(34.0)
Total equity	**1,264.7**	**1,031.8**

Management Commentary

The movements in the audited statutory FY22 and FY21 balances are as follows:

- The cash balance increased by $24 million due to the business' strong cash generation offset by investments made in Landchecker and Elula during the year
- The net current asset position (current assets less current liabilities) is $60 million positive at 30 June 2022. It was negative on 30 June 2021 due to $193 million of shareholder loans remaining post the 30 June IPO refinancing. These were repaid from the proceeds of the primary raise on 1 July 2021
- Intangible assets have reduced in FY22 due to continued amortisation of existing balances offset by capital spend on both the PEXA Exchange and PEXA International platforms
- External debt of $300 million (less $2 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. It remains in place at 30 June 2022
- Contributed equity increased due to funds received relating to PEXA's primary issuance on IPO.

2.2 Pro forma cash flow

Table 10: Pro forma cash flow

A$M; Year ended 30 June	FY22	FY21	v FY21	FY22 Prospectus Forecast	v Prospectus Forecast
EBITDA	**130.5**	**101.8**	**28%**	**107.6**	**21%**
Non-cash items in EBITDA	0.6	0.6	5%	0.6	0%
Changes in working capital	(10.0)	10.8	n.m	0.8	n.m
Operating cash flow before capex	**121.1**	**113.2**	**7%**	**109.0**	**11%**
Acquisition of intangible assets	(50.0)	(22.6)	121%	(52.1)	(4%)
Acquisition of PP&E	(2.0)	(0.5)	n.m	(1.5)	31%
Free cash flow before financing and tax	**69.1**	**90.1**	**(23%)**	**55.3**	**25%**
Interest received	0.5	0.7	(23%)	0.5	5%
Interest paid	(5.8)	(3.7)	59%	(6.9)	(16%)
Payment of finance lease liabilities	(1.8)	(2.1)	(18%)	(1.9)	(8%)
Free cash flow	**62.0**	**84.9**	**(27%)**	**47.0**	**32%**
FCF conversion (before financing & tax)	*53%*	*89%*	*(36%)*	*51%*	*2%*

Note: Cash Flow pro forma adjustments were made to statutory cash flows to reflect the cash impact of the pro forma adjustments including offer costs, incremental public company costs (in FY21) and MEP close out costs noted in section 1.3 above.

Pro forma cash conversion (before financing and tax) in FY22 was 53%, below FY21 but slightly ahead of FY21 Prospectus forecast, due to movements in free cash flow.

Net pro forma free cash flow decreased by $22.9 million, or 27%, from FY21, but is up $15.0 million (32%) from Prospectus forecast, driven by higher levels of EBITDA offset by negative movements in net working capital.

Change in net working capital is $20.8 million unfavourable to FY21, driven by the timing of IPO-related payments, primarily insurance prepayments. It is $10.8 million unfavourable against Prospectus forecast, again driven by the timing of cash-payments primarily relating to insurance.

The majority of capital expenditure spend is Research and Development ("acquisition of intangible assets"), which made up $50.0 million of $52.0 million total capex in FY22 (95%) and accounted for $27.4 million of the $28.9 million capex growth year on year. It includes R&D capex for the core exchange and the International, Insights and Ventures growth initiatives.

Pro forma interest paid is cash interest payments on external debt.

2.3 Debt Levels

Table 11: Pro forma net debt

A$M; As at	30 Jun 22	30 Jun 21	Change	FY22 Prospectus Forecast	v Prospectus Forecast
Interest bearing loans and borrowings	300.0	300.0	0%		
Cash and cash equivalents	(75.4)	(51.5)	46%		
Net debt	**224.6**	**248.5**	**(10%)**		
Pro forma net debt/EBITDA	*1.47x*	*2.25x*	*0.78x*		

Note: Interest bearing loans and borrowings and cash and cash equivalents for FY22 and FY21 are identified in the statutory financial report.

Pro forma net debt to PEXA Exchange EBITDA ratio was 1.47x at 30 June 2022, compared to 2.25x at 30 June 2021, due to a 10% reduction in net debt and a 38% increase in PEXA Exchange EBITDA (see section 1.7). The reduction in net debt reflected the $23.9 million increase in cash balance. There was no 30 June 2022 balance sheet forecast in the Prospectus.

PEXA Group Limited
ACN 629 193 764

FINANCIAL REPORT

for the year ended 30 June 2022

Contents

Directors' Report

Corporate information

PEXA Group Limited was incorporated on 4 October 2018. The consolidated financial statements of PEXA Group Limited and its subsidiaries (PEXA or collectively, the Group) for the year ended 30 June 2022, were authorised for issue in accordance with a resolution of the directors on 26 August 2022.

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.

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.

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. He is also currently serving as Chairperson of QBE Insurance Group Limited's Australian and New Zealand subsidiaries and Chairperson of TAL Services Limited. Mark has previously 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 PEXA Group Risk Management & Audit Committee and a member of the PEXA Group 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

(Group Managing Director & 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.

Kirstin Ferguson

(Independent Non-Executive Director, appointed 11 June 2021)

Dr Kirstin Ferguson is a highly experienced Chair, Deputy Chair and Non-Executive Director on ASX listed, private company, not for profit and Government boards. In addition to PEXA Ltd, Kirstin is currently an independent director on the board of technology company Envato Pty Ltd (since June 2021).

Kirstin has a PhD in corporate culture, leadership and governance and is an Adjunct Professor at the QUT Faculty of Business and Law. She also holds a Bachelor of Laws (Honours) from QUT and a Bachelor of Arts (Honours) from UNSW Canberra.

During her executive career, Kirstin held executive roles as the CEO of an international consulting organisation, a senior executive in a corporate law firm and an Officer in the Royal Australian Air Force.

Kirstin has previously served on the board of SCA Property Group Ltd (ASX:SCP Jan 2015 – Aug 2021) and EML Payments Ltd (ASX: EML Feb 2018 – July 2021) and CIMIC Ltd (ASX: CIM July 2014 – Nov 2016). Kirstin has also been Deputy Chair of the Australian Broadcasting Corporation and an independent director on the board of Hyne & Son Pty Ltd, SunWater Ltd and a number of non-profit organisations.

Melanie Willis

(Independent Non-executive Director, appointed 11 June 2021)

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

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 a 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.

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 degree 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 previously served as a non-executive director of Property Exchange Australia Limited from November 2011 to November 2018, joining the Board about twelve months after the company's formation.

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

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

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

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

Helen Silver AO

(Independent Non-executive Director, appointed 10 May 2022)

Helen has been a senior executive with two major financial services companies in Australia, National Australia Bank and Allianz Australia. She spent the last eight years at Allianz Australia, where her most recent role was Deputy Managing Director.

Helen has worked at the highest levels of Commonwealth Government with the Productivity Commission, and Victorian Government in roles primarily in the Premier's and Treasury portfolios, including Secretary of the Victorian Department of Premier and Cabinet from 2008 to 2013.

Helen has also served as a non-executive director of a number of non-profit organisations.

Helen holds a Bachelor of Economics with Honours, Master of Economics and Honorary Doctor of Laws all from Monash University.

Directors' Report

Joint Company Secretaries

Andrew Metcalfe

(appointed 13 September 2021)

Andrew is an experienced professional independent company secretary and governance adviser with over 25 years experience providing company secretarial services to ASX listed companies. Andrew holds a Bachelor of Business from Swinburne University. He is also a CPA, a Fellow of the Governance Institute of Australia and a Graduate of the Australian Institute of Directors.

Naomi Dawson

(appointed 24 February 2022)

Naomi is an experienced lawyer and company secretary. Naomi joined PEXA in 2014 and holds a Bachelor of Laws (Hons) and a Bachelor of Commerce (majoring in accounting) from Monash University. She also holds a Master of Laws from the University of Melbourne and a Graduate Diploma of Applied Corporate Governance from the Governance Institute of Australia. Naomi is also a Fellow of the Governance Institute of Australia.

Ian Gilmour

(resigned 13 September 2021)

Registered office

Level 16, Tower 4
727 Collins Street
Docklands 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		Audit and Risk Committee		Remuneration, Nomination and People Committee	
Director	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
M Joiner	12	12	7	7	7	7
J Hawkins	12	12	7	7	– *	7
G King	12	12	– *	7	– *	7
K Ferguson	12	12	7	7	7	7
M Willis	12	12	7	7	7	7
V Bhatia	12	11	– *	7	7	7
P Rickard	12	12	7	7	– *	5
H Silver	2	2	2	2	2	2

* All Directors have a standing invitation to attend Committee meetings and regularly attend meetings of Committees

Members acting on the committees of the Board are:

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

Directors’ Interests in Shares

Directors’ relevant interests in shares of the Company (direct and indirect) as at the date of this report are detailed below:

Director	Ordinary Shares of the Company	Performance Rights
M Joiner	29,187	–
J Hawkins	5,837	–
G King	1,155,637	58,176
K Ferguson	14,593	–
M Willis	14,593	–
V Bhatia	5,837	–
P Rickard	8,837	–
H Silver	–	–

Significant changes in the state of affairs and future developments

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

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.

1. Principal Activities

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 secure, reliable and efficient digital lodgement and settlement of property transactions. The PEXA Exchange currently operates in New South Wales, Victoria, Western Australia, South Australia, Queensland and the ACT.

2. 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, taking in to account the risks noted in section 4:

- 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 86 per cent of all potential billable transactions in Australia. Digital property settlements are available in six jurisdictions in Australia (New South Wales, Victoria, Queensland, Western Australia, South Australia and the ACT). Future market share growth will come from additional digital adoption in Queensland & the ACT, enhanced digital settlement coverage in Western Australia and enablement of new jurisdictions over time. Market share may be impacted by competition.
- 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.

3. 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 a range of opportunities for it to expand its business into new products and services and to expand its digital property settlements platform knowledge in new geographies. PEXA is pursuing these potential opportunities through three initiatives, 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 in the development of those solutions. PEXA is working with technology build partner ThoughtWorks to develop 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 targeted international expansion. It has established a management presence in the UK, has successfully built the 7th net settlement payment scheme to clear through the Bank Of England, and seven UK lenders have successfully completed testing on the PEXA settlement payment solution. Lenders Hinckley & Rugby Building Society and Shawbrook Bank will commence transacting remortgages via the PEXA UK platform by the end of calendar year 2022, with further lenders expected to be announced and onboarded in subsequent waves.

- **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 developing products and services that appropriately leverage PEXA’s property data, together with third party data, to generate innovative data solutions for this market. It is also investing in programmatic M&A to complement organic with inorganic growth. The first two PEXA Insights investments, Landchecker and Elula, were completed in the year ended 30 June 2022.
- **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. Via PX Ventures, PEXA is also likely to enter into partnerships and joint ventures and invest in other businesses, with the first investments completed in the year ended 30 June 2022.

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 offerings and plans to invest in these strategic growth initiatives in the future.

4. 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 expanding 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 staff. It may also introduce new competition risks, systems availability and cyber security risks to PEXA. PEXA’s market position is also affected by general competitive factors. The market in Australia for digital property settlement services is rapidly evolving and PEXA may face additional competition.

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

Directors' Report

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 frameworks are annually reviewed by an independent expert as part of PEXA's obligations as an ELNO. PEXA also conducts reviews of all key third party suppliers to identify key dependencies and areas of risk and where possible establishes SLA's and governance processes to mitigate the risks.

- **Financial, business, and economic risks:** Key financial, business and economic risks include: 1) Decrease in lodgements due to the current increasing interest rate environment and impact 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. While interest rates are increasing, strong economic fundamentals including low unemployment rates, high levels of household savings and increasing migration should continue to support housing transaction volumes. PEXA management and Board monitor the progress of its growth initiatives with funding for future investment predicated by achieving specific milestones.

5. Review of Operations

See Management Commentary section (page 34) for an update on the Group's financial position.

Future Developments

Refer to section 3 above for information on the likely developments and future prospects of the Group.

Dividends

No dividends were paid or declared during the year (2021: 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

Unissued shares

As at the date of this report and at the reporting date, there were 167,301 unissued ordinary shares under options. Refer to the remuneration report for further details of the options outstanding for Key Management Personnel (KMP).

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

Matters subsequent to the end of the year

Acquisition of Slate Analytics Pty Ltd

In July 2022, the PEXA Group subsidiary, PEXA Insights, paid FrontierSI $7.0 million to acquire a 70% ownership in a newly created entity – Slate Analytics Pty Ltd. The investment allows PEXA to partner with the University of NSW and FrontierSI in providing valuation and dynamic scenario modelling.

Slate Analytics had not traded or operated prior to this investment however it held the intellectual property rights to a range of Automated Valuations Models valued at $10 million. No other assets or liabilities within Slate Analytics have been acquired as part of the transaction. The accounting treatment for the investment is ongoing at the date of the financial statements and additional disclosure will be provided during the year ending 30 June 2023.

Proposed acquisition of I.D. Consulting Pty Ltd and I.D. (informed decisions) Pty Ltd (collectively, .id)

On 26 August 2022, the Group announced its subsidiary, PEXA Insights, has entered into an agreement to acquire 100% of leading Australian grown demographic based consulting group, ID for an initial payment of $20 million.

ID is a land information business that provides demographic and economic data and forecasts at the micro-geographic level to over 300 local councils across Australia and New Zealand. ID comprises a team of skilled demographic and spatial analysts, population forecasters, urban economists, industry sector experts, and technology and data management specialists. Further details in relation to the proposed acquisition are included in the Group's ASX release regarding ID.

The proposed acquisition of ID will be funded from PEXA's existing cash reserves and is subject to customary transaction conditions and approvals. The Group anticipates completion of the proposed acquisition by 30 September 2022, which is after the authorised date of issue of the Group's 30 June 2022 financial statements. As a result, details of any final consideration paid and details of the final fair value of any major classes of assets, liabilities and associated goodwill that may be acquired are not yet finalised.

No other event or circumstance has arisen since 30 June 2022 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, the 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 26 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 PEXA Group Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor.

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

Auditors' Independence Declaration

The auditors' independence declaration for the year ended 30 June 2022 has been received and can be found on page 57.

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.

The Directors' Report includes the Remuneration Report.

Signed in accordance with a resolution of the directors.

Mark Joiner
Independent Chairperson

Auditors' Independence Declaration

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Melbourne VIC 3000 Australia
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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 for the financial year ended 30 June 2022, 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;

b. no contraventions of any applicable code of professional conduct in relation to the audit; and

c. no non-audit services provided that contravene 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
26 August 2022

Remuneration Report

Contents

1. Letter from Remuneration, Nomination and People Committee Chair

Dear Shareholder,

On behalf of PEXA Group Limited's (PEXA or the Company) Remuneration, Nomination and People Committee and the Board, I am pleased to present the Remuneration Report covering the 12 months ended 30 June 2022 (FY22).

The purpose of this report is to describe PEXA's approach to remuneration for Key Management Personnel (KMP) including Non-Executive Directors and to demonstrate the links between PEXA's Remuneration Framework, business strategy, and performance and reward. PEXA's Remuneration Framework has been designed to attract and retain appropriately qualified people and ensure they focus on the strategic priorities set by the Board. The goal of our remuneration strategy is to ensure it remains fit for purpose, provides a strong link between pay and performance, is consistent with best practice in the Australian market, and aligned to shareholder value creation.

This report marks the completion of our first full reporting year as an ASX-listed entity. We have reviewed our performance metrics and hurdles and will do so annually to ensure they remain appropriate and provide meaningful and robust stretch targets, year on year, for KMP within our stated risk parameters. The Board is committed to upholding a Remuneration Framework that meets shareholders' expectations and requirements and encourages Executive KMP to deliver sustainable performance.

Link between Group Performance and Executive KMP Performance

FY22 was a rewarding year for PEXA – the Company's focused growth strategy and commitment to our values, our people and our community underpinned strong performance. Key financial metrics outperformed both management expectations and Prospectus forecasts. The result in FY22 was strong growth in the PEXA Exchange in Australia with record settlement volumes, continued progress as planned on our launch into the UK, and further investments to enhance property data and services, in particular.

- PEXA Exchange volumes increased from 3.3 million to 4.05 million
- Revenue increased by $58.7 million, to $279.8 million
- PEXA Exchange statutory EBITDA increased by $35.8 million, to $152.7 million.

A combination of these positive financial results and strong delivery against strategic goals for the year have resulted in Short-Term Incentive (STI) outcomes for the Executive KMP of 86% of maximum opportunity on average. These outcomes reflect strong overall company and individual performance for the year, with the quantum of payments appropriate and reflective of strong performance by Executive KMP.

Looking Forward

For the coming financial year, the Board has determined to introduce policies intended to formalise expectations around minimum shareholding requirements (MSR) and to further enhance shareholder alignment. The Board will introduce a requirement for all Non-Executive Directors to be holding the minimum equivalent of 100% of their annual Board fee (not including any committee fees) in PEXA ordinary shares within a five-year period.

A similar requirement for all Executive KMP to hold a minimum of 50% of their Total Package Value (100% for the Group MD & CEO) will also be introduced that will require the mandatory deferral of STI into restricted shares until their individual MSR has been achieved.

During FY23 we will continue to look for opportunities to strengthen the alignment of our Remuneration Framework to shareholder expectations and align to overall business objectives.

On behalf of the Board, we recommend this Report to you and welcome any feedback and comments on any aspect of this Report.

Kirstin Ferguson

Dr Kirstin Ferguson
Chair of the Remuneration, Nomination and People Committee

26 August 2022

Remuneration Report

2. Introduction

The directors of PEXA Group (PEXA or the Company) present the audited Remuneration Report (the Report) for the Company and its controlled entities for the year ended 30 June 2022 (FY22). It has been 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.

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

This Remuneration Report sets out remuneration information for KMP who had authority and responsibility for planning, directing and controlling the activities of the Company during the 2022 financial year, being each of the Non-Executive Directors and designated Executives. The use of the term "Executives" in this report is a reference to the Group Managing Director & Chief Executive Officer (Group MD & CEO) and certain direct reports during FY22. Refer to Table 1 below for all individuals comprising PEXA's KMP for FY22. All KMP held their positions for the entirety of FY22, unless noted otherwise.

2.1 Key Management Personnel

Table 1: Key Management Personnel

Name	Position Held	Since
Non-Executive Directors		
Mark Joiner	Independent Non-Executive Chairperson	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
Helen Silver AO	Independent Non-Executive Director	10 May 2022
Melanie Willis	Independent Non-Executive Director	11 June 2021
Executive Directors		
Glenn King	Group Managing Director & Chief Executive Officer	14 October 2019[1]
Executives		
Richard Moore	Chief Financial Officer	3 February 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

3. Executive Remuneration Overview

The key 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;
- Consistently maintain a 'pay for performance' culture within the Company;
- Ensure Key Performance Indicators (KPIs) which monitor and reward the performance of the Group MD & CEO and other Executive KMP are measurable, and verifiable, contribute to sustainable value improvement while also permitting agility and responsiveness to value accretive opportunities that may arise; and
- Comply with all relevant legal and regulatory provisions.

In alignment with its remuneration strategy, the Board's policy on Executive remuneration is that it comprises both a Fixed Annual Remuneration (FAR) component and "at risk" or performance-related components, Short-Term Incentive (STI) and Long-Term Incentive (LTI), where a high portion of remuneration is "at risk". The level of FAR for Executives is benchmarked against that paid for similar positions at the median of comparator ASX companies.

A summary of the Company's approach to Executive remuneration for FY22, including performance conditions and their link to the overall remuneration strategy is set out below:

<table>
<tr><th></th><th>Performance Conditions</th><th>Remuneration Strategy/Performance Link</th></tr>
<tr><td>Fixed Annual Remuneration (FAR)
Salary and other benefits (including statutory superannuation).
Refer to Section 6.1.1 for more details.</td><td>Considerations
• Scope of individual's role
• Individual's level of knowledge, skills and expertise
• Company and individual performance
• Market benchmarking</td><td>Set to attract, retain and motivate the right talent to deliver on PEXA's strategy and contribute to the Company's financial and operational performance.
For the Company's Executives, the aim is to set fixed remuneration at market relevant levels and link any future increases to individual performance and effectiveness whilst continuing benchmark against to market relevance.</td></tr>
<tr><td rowspan="2">Short-Term Incentive (STI)
Annual incentive opportunity delivered 100% in cash, 70% in November 2022 and 30% in November 2023.
Refer to Section 6.1.2 for more details.</td><td>Risk 'gate'
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.</td><td>To align with the Company's commitment to risk mitigation.</td></tr>
<tr><td>Company measures
Generally a maximum of 70% of STI award, incorporating metrics relevant to an Executive's area of influence
• Financial (30%)
• Member & Customer (40%)
• Risk (15%)
• People & Innovation (15%)</td><td>To ensure robust alignment of performance with reward for Executives.
Performance conditions are designed to support the strategic direction of the Company (the achievement of which is intended to translate through to shareholder return) and are clearly defined and measurable.</td></tr>
</table>

Remuneration Report

	Performance Conditions	Remuneration Strategy/Performance Link
	Individual strategic objectives Generally a maximum of 30% of STI award aligned to personal strategic objectives. Examples include: • Personal financial targets • Strategic project initiatives	Key strategic and growth objectives targeted at delivering ongoing benefit to the Company.
Long-Term Incentive (LTI) Three-year incentive opportunity delivered through performance rights. Refer to Section 6.1.3 for more details	**Performance conditions** Distinct categories of performance that are weighted to align with the Group's focus over the three-year period that each tranche of the plan spans. • Earnings Per Share (EPS) (75%) • Relative Total Shareholder Return (TSR) (25%)	Performance conditions designed to encourage Executive KMP to focus on the key performance drivers which underpin sustainable growth in shareholder value. The mix of performance conditions is designed to ensure the share price growth is supported by the Company's EPS, and not market factors alone.

4. FY22 Company Performance and Relationship to Reward

PEXA's approach to remuneration is based upon "Reward for Performance". Individual Executive KMP remuneration is differentiated based on various measures of Company and individual performance.

The table below sets out information about the Company's earnings and movements in shareholder wealth for FY21 and FY22.

Company Performance	FY22	FY21
Revenue ($'000)	279,839	221,046
Profit/Loss before tax ($'000)	32,920	(8,092)
Profit/Loss after tax ($'000)	21,851	(11,787)
Basic earnings per share (cents)	12.32	(8.54)
Diluted earnings per share (cents)	12.32	(8.54)
Dividends per share - paid during financial year (cents)	–	–
Share price at 30 June ($)[1]	13.89	–

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

4.1 FY22 Executive KMP Reward Outcomes

1. What is the Executive KMP remuneration structure in FY22?

	FAR	Maximum STI as % of FAR	Maximum LTI as % of FAR
Glenn King (Group MD &CEO)	$925,000	70%	100%
Richard Moore (CFO)	$615,000	60%	60%
Simon Smith[1] (COO)	$384,000	60%	50%

2. What is the FY22 STI payout to Executive KMP and why?

Company performance makes up 70% of the Executive KMP scorecard and each Executive KMP also has a 30% individual performance component. Individual goals are designed to be challenging and are linked to business strategy.

FY22 Company financial performance resulted in an average of 86% payout of maximum achievement, as 3 of 4 financial measures were met. Of the other Company performance conditions, 9 of the 10 were fully met resulting in 86% achievement of maximum for this component of Company performance. Additional detail on the Group MD & CEO's performance against his FY22 scorecard is included in Section 7.2.

Each Executive KMP also has a 30% individual performance component. Each Executive KMP's score out of 30% was as follows: Group MD & CEO (27.5%); CFO (27.5%) and COO (30%) resulting in total FY22 STI achievements out of the maximums available of: Group MD & CEO (85.25%); CFO (85.25%) and COO (87.75%). The payments that these outcomes deliver are outlined in more detail under Sections 4.1 and 7.2.

3. Did the Board exercise discretion when considering Executive KMP awards in FY22?

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. Discretion was not considered in FY22.

4. Were there any remuneration reductions as a result of COVID-19?

PEXA did not seek government assistance in FY22. Given the resilience of the business and performance in FY22, no remuneration reductions were applied.

1. Simon Smith is employed on a part-time basis. FAR is pro-rated to reflect 30.4 working hours per week.

4.2 Realised Remuneration

In addition to Statutory remuneration included in Section 7.3, **Realised** Remuneration received by Executive KMPs in FY22 is displayed below. Realised remuneration is a non-statutory measure and includes FAR, non-monetary benefits and STI. No LTI vested in FY22. Realised Remuneration is included to complement the Statutory Remuneration disclosures to illustrate the remuneration relating to performance by Executive KMP during the 2022 financial year, and how the Company's performance during the year has impacted on these amounts, particularly the STI component.

STI represents initial cash payments earned for FY22 performance (70% of the FY22 total award) and deferred STI for the FY21 performance (30% of the FY21 total award).

Table 2: 2022 Realised Remuneration

Position	FAR	Non-Monetary Benefits	Cash STI payment	Total Realised Remuneration
Group MD & CEO	$925,000	$6,950	$498,378	$1,430,328
CFO	$615,000	$6,950	$307,654	$929,604
COO	$405,240[1]	$0	$182,221	$587,461

1. The COO received a 25% Higher Duties Allowance for 3 months during FY22.

Remuneration Report

5. Remuneration Governance

5.1 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 KMP, 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 KMP 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 Executive KMPs having regard to the external market, individual contributions to PEXA and overall performance of the Company; and
- Appropriately align the interests of Executive KMP 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 and LTI opportunities to Executive KMPs. 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 Executive KMP, the Committee seeks to acknowledge material performance improvement in the period it was achieved where the Committee believes that Executive KMP interests are aligned with shareholders. Individual Executive KMP do not participate in meetings where their own remuneration is being discussed by the Committee or Board. The Group MD & CEO provided the Committee with his perspectives on fixed remuneration and STI performance outcomes for his direct reports.

5.2 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 and making recommendations to the Board, including those regarding 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

Members of the Committee on 30 June 2022 were:

- Dr Kirstin Ferguson – Independent Non-Executive Director (Chair) (appointed 11 June 2021)
- Mark Joiner – Independent Non-Executive Chairman (appointed 3 May 2021)
- Melanie Willis – Independent Non-Executive Director (appointed 11 June 2021)
- Vivek Bhatia – Non-Executive Director (appointed 11 June 2021)
- Helen Silver AO – Independent Non-Executive Director (appointed 10 May 2022)

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 FY22.

6. Executive Remuneration

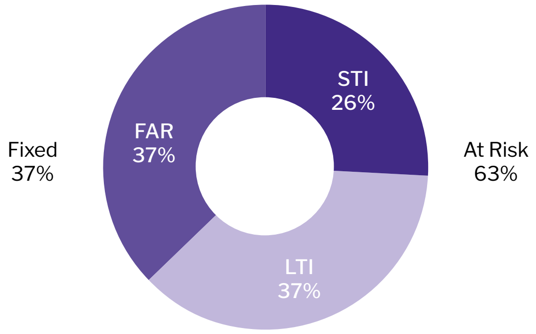
6.1 Remuneration Framework

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

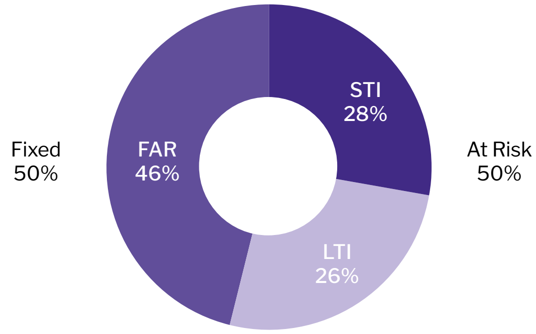
- Fixed Annual Remuneration (FAR)
- Short-Term Incentive (STI)
- Long-Term Incentive (LTI)

Figure 1: Remuneration Pay Mix at Maximum

Group MD and CEO



Executive KMP[1]



1. Average of Executive KMP LTI Maximum Opportunity. CFO 60%. COO 50%.

6.1.1 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 KMP concerned.

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

Remuneration Report

6.1.2 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 KMP positions with greater accountability to align with shareholders' interests.

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

Table 3: FY22 PEXA Executive KMP STI plan

Feature	Approach
Purpose	To set and reward a high standard of performance measured over a twelve-month period.
Eligibility	Executive KMP
Form of payment	Cash
Opportunity	Details of the STI opportunity can be found in the table below.

Name (Position)	Max STI	Max STI as a % of FAR
Glenn King – Group MD & CEO	$647,500	70%
Richard Moore – CFO	$369,000	60%
Simon Smith – COO	$244,800[1]	60%

1. The COO received a 25% Higher Duties Allowance for 3 months during FY22 that was pro-rated for STI purposes

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.

Feature	Approach
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, Risk, and People and Innovation.

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 business 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 or 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 September following the applicable financial year and 30% of STI is deferred to the following September, 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

6.1.3 Long-Term Incentive (LTI)

Executive KMP have the opportunity to receive an annual LTI grant in the form of Performance Rights, which is based on a percentage of his or her FAR. The LTI percentage increases with seniority to ensure a higher proportion of remuneration is "at risk" for Executive KMP positions with greater accountability to align with shareholders' interests.

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

Table 4: FY22 PEXA Executive KMP LTI plan

Feature	Approach
Purpose	To set and reward a high standard of performance measured over a three-year period.
Eligibility	Executive KMP
Form of payment	Rights, converting to Shares
Opportunity	Details of the LTI opportunity can be found in the table below.
Performance period	3 years
Performance measures	The LTI is assessed against two independent performance targets: • Earnings Per Share (EPS) • Relative Total Shareholder Return (TSR)

Name (Position)	Value of LTI Grant	LTI as a % of FAR
Glenn King – Group MD & CEO	$925,000	100%
Richard Moore – CFO	$369,000	60%
Simon Smith – COO	$192,000	50%

Earnings Per Share performance hurdle – 75% weighting

Underlying EPS Compound Annual Growth Rate (CAGR) is calculated by dividing the NPATA by the undiluted weighted average number of shares on issue. The Board chose EPS as a performance hurdle because it provides a clear line of sight between Executive KMP performance and Company financial performance. It is also a well recognised and understood measure both internal and external to PEXA. The vesting schedule of the Rights subject to the EPS hurdle is as follows:

EPS CAGR	Percentage of Performance Rights that will vest
At or above 25%	100%
Between 15% and 25%	Pro-rata vesting from 50% to 100%
At 15%	50%
Less than 15%	0%

<table>
<tr><th>Feature</th><th>Approach</th></tr>
<tr><td>Performance measures

continued</td><td>Relative Total Shareholder Return performance hurdle – 25% weighting

The TSR measure represents change in the PEXA share price over a three-year period and includes reinvested dividends (if applicable). The Board chose relative TSR as a performance hurdle because it provides a direct measure of shareholder return. Relative TSR is measured against constituents of the S&P/ASX200 information technology group. The vesting schedule of the rights subject to the relative TSR hurdle is as follows:

<table>
<tr><th>Performance</th><th>Percentage of Performance Rights that will vest</th></tr>
<tr><td>At or above 75th percentile</td><td>100%</td></tr>
<tr><td>Greater than 50th percentile and up to 75th percentile</td><td>Pro-rata vesting between 50% and 100%</td></tr>
<tr><td>Equal to 50th percentile</td><td>50%</td></tr>
<tr><td>Less than 50th percentile</td><td>0%</td></tr>
</table>

Executive KMP measures are approved by the Board prior to offers being made.

At the end of the performance period, Company performance is assessed against the specific measures detailed above, and a corresponding vesting of Rights into Shares is determined. The Company does not use reference to any external share index.</td></tr>
<tr><td>Grant date</td><td>21 March 2022</td></tr>
<tr><td>Total fair value of the grant</td><td>$1,160,848 (for 3 KMP only)</td></tr>
<tr><td>Fair value per right</td><td>$16.11 (for 3 KMP only)</td></tr>
<tr><td>Exercise price per right</td><td>$0</td></tr>
<tr><td>Expiry date</td><td>15 years from grant date</td></tr>
<tr><td>Exercise date</td><td>Post June 30 2024</td></tr>
<tr><td>Malus and/or clawback</td><td>Provisions for both Malus and Clawback have been included in the Rules that govern the running of this plan.</td></tr>
<tr><td>Exercise timing</td><td>Any applicable vesting will occur around October, three years post the commencement of each particular tranche.</td></tr>
<tr><td>Board discretion</td><td>The Board also reserves full discretion regarding any LTI vesting, based on holistic factors in relation to the business.</td></tr>
<tr><td>Treatment on termination</td><td>LTI is forfeited upon notice of termination of employee.</td></tr>
</table>

Remuneration Report

6.1.4 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 KMP are summarised below:

Table 5: Key Terms – Group Managing Director & Chief Executive Officer

Group Managing Director & Chief Executive Officer, Glenn King	
Contract duration	Commenced 14 October 2019, open ended.
FAR as of 11 June 2021	$925,000. Includes salary and superannuation.
Review of FAR	Reviewed annually, effective from 1 July with no obligation to adjust.
Variable remuneration eligibility	The Group MD & CEO is eligible to participate in PEXA's plans for performance-based remuneration, and in FY22 that included: **FY22 STI Maximum opportunity** • 70% of FAR • 70% of STI earned is paid in September 2022. 30% of STI earned is paid in September 2023.
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.

Table 6: Key Terms – Chief Financial Officer

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 July with no obligation to adjust.
Variable remuneration eligibility	The CFO is eligible to participate in PEXA's plans for performance-based remuneration, and in FY22 that included: **FY22 STI Maximum opportunity** • 60% of FAR • 70% of STI earned is paid in September 2022. 30% of STI earned is paid in September 2023.
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 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 7: Key Terms – Chief Operations Officer

Chief Operations 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 July with no obligation to adjust.
Variable remuneration eligibility	The COO is eligible to participate in PEXA's plans for performance-based remuneration, and in FY22 that included: **FY22 STI Maximum opportunity** • 60% of FAR • 70% of STI earned is paid in September 2022. 30% of STI earned is paid in September 2023.
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 PEXA	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.

Remuneration Report

7. FY22 Remuneration Outcomes

7.1 Fixed Remuneration

There were no adjustments made to Executive KMP Fixed Annual Remuneration (FAR) levels for the 2022 period.

7.2 Short-Term Incentive (STI)

The following table outlines the Group MD & CEO's FY22 performance against his individual scorecard. The same Company component applied to all Executive KMP for FY22.

Table 8: FY22 Group MD & CEO Performance

Measure	Weighting	Outcome	Successfully Achieved
Company Component (70%)			
Financial			
PEXA Exchange EBITDA less core capex	21.0%	15.75%	
Statutory PBT			
QLD market share. ACT market share			
PEXA insights external revenue			
Member & Customer			
Getting people into their property on time	28.0%	21.0%	
Exchange NPS			
UK pilot contractual commitment			
PEXA Key Invitations			
Risk (15%)			
Laws or regulation breach	10.5%	10.5%	
Platform Fraud			
External Audit Items			
People & Innovation (15%)			
'Action' in Culture & Engagement	10.5%	10.5%	
ESG Benchmark			
Brand health			
Group MD & CEO's Individual Component (30%)			
Individual Scorecard	30%	27.5%	
	100%	**85.25%**	

Company performance makes up 70% of the Executive KMP scorecard and each Executive KMP also has a 30% individual performance component. Individual goals are designed to be challenging and are linked to business strategy.

FY22 performance on the Company financial performance resulted in an average 86% payout of maximum achievement as 3 of 4 financial measures were met. Nine out of 10 other Company performance conditions were fully met resulting in an 86% achievement of maximum for this component of Company performance. Additional detail on the Group MD & CEO's performance against his FY22 scorecard is included in Section 7.2.

Each Executive KMP also has a 30% individual performance component. Each Executive KMP's score out of 30% was as follows: Group MD & CEO (27.5%); CFO (27.5%) and COO (30%) providing total FY22 STI achievements out of the maximums available of: Group MD & CEO (85.25%); CFO (85.25%) and COO (87.75%).

The Board approved the following STI outcomes for Executive KMP in August 2022.

Table 9: FY22 Executive KMP STI Outcomes

Position	Total STI	2022 Cash STI payment	F2023 Cash STI payment	% Earned of Max STI	% Forfeited of Max STI
Group MD & CEO	$551,994	$386,396	$165,598	85.25%	14.75%
CFO	$314,573	$220,201	$94,372	85.25%	14.75%
COO	$214,812	$150,368	$64,444	87.75%	12.25%

7.3 FY22 Statutory Remuneration

This table sets out the remuneration of Executive KMP for the 2022 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 10: Statutory Remuneration

								Share Based Payments[3]					
Name	Year	Base Salary	Super-annuation	Non-Monetary Benefits	Short-term cash bonus[1,2]	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	**2022**	**$901,432**	**$23,568**	**$6,950**	**$551,994**	**$99,483**	**$18,050**	**–**	**$244,058**	**–**	**–**	**$1,845,535**	**43%**
	2021	$653,309	$21,694	$7,397	$472,500	$44,136	$664	$1,597,637	–	–	–	$2,797,337	74%
Executives													
Richard Moore	**2022**	**$588,126**	**$26,874**	**$6,950**	**$314,573**	**$21,289**	**$2,451**	**–**	**$93,989**	**–**	**–**	**$1,054,252**	**39%**
	2021	$590,013	$25,000	$7,397	$369,000	$26,020	$605	$798,818	–	–	–	$1,816,853	64%
Simon Smith	**2022**	**$381,672**	**$23,568**	**–**	**$214,812**	**$10,155**	**$1,908**	**–**	**$48,903**	**–**	**–**	**$681,018**	**39%**
	2021	$202,933	$12,655	–	$134,400	$7,353	–	$1,061,549	–	–	–	$1,418,890	84%
Total	**2022**	**$1,871,230**	**$74,010**	**$13,900**	**$1,081,379**	**$130,927**	**$22,409**	**–**	**$386,950**	**–**	**–**	**$3,580,805**	
	2021	$1,446,255	$59,349	$14,794	$975,900	$77,509	$1,269	$3,458,004	–	–	–	$6,033,080	

1. For the year ended 30 June 2021, the amount accrued assumed 100% achievement. The decision of the 79% outcome was made after the accounts were finalised
2. For the year ended 30 June 2022, this is the amount awarded in relation to FY22 performance
3. For the year ended 30 June 2021, represents the value of vested MEP shares expensed during the year in accordance with AASB 2 Share-based Payments. For the year ended 30 June 2022, share based payment amounts represent the value of the options granted (LTI) expensed in the statement of comprehensive income during the year in accordance with AASB 2 Share-based Payments

8. Non-Executive Director Remuneration

8.1 Non-Executive Director 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.

The following table sets out the Board fee structure.

Table 11: 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.

The table below illustrates the statutory remuneration for the Non-Executive Directors.

Remuneration Report

8.2 FY22 Statutory Remuneration for Non-Executive Directors

This table sets out the remuneration of Non-Executive KMP for the 2022 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 12: Non-Executive KMP (NED) statutory remuneration

						Share-based Payments			
NED[1]	Year	Base Salary[6]	Superannuation	Non-Monetary Benefits	Post-Employment benefits - Termination	Bonus Shares[1]	Matched Shares[2]	Options & rights	Total Statutory Remuneration
Mark Joiner	**2022**	**$350,000**	**–**	**–**	**–**	**–**	**–**	**–**	**$350,000**
	2021	$58,333	–	–	–	$399,986	$19,991	–	$478,310
Vivek Bhatia[3]	**2022**	**$177,500**	**–**	**–**	**–**	**–**	**–**	**–**	**$177,500**
	2021	$8,485	–	–	–	–	$19,991	–	$28,476
Dr Kirstin Ferguson	**2022**	**$188,636**	**$18,864**	**–**	**–**	**–**	**–**	**–**	**$207,500**
	2021	$7,713	$771	–	–	$149,990	$19,991	–	$178,465
John Hawkins[4]	**2022**	**$177,500**	**–**	**–**	**–**	**–**	**–**	**–**	**$177,500**
	2021	$8,485	–	–	–	–	$19,991	–	$28,476
Paul Rickard	**2022**	**$161,364**	**$16,136**	**–**	**–**	**–**	**–**		**$177,500**
	2021	$7,713	$771	–	–	–	$19,991	–	$28,475
Helen Silver AO	**2022**	**$25,517**	**$2,551**	**–**	**–**	**–**	**–**	**–**	**$28,068**
	2021	–	–	–	–	–	–	–	–
Melanie Willis	**2022**	**$188,636**	**$18,864**	**–**	**–**	**–**	**–**	**–**	**$207,500**
	2021	$7,713	$771	–	–	$149,990	$19,991	–	$178,465
Former NED[7]									
Alan Cameron AO[5]	**2022**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2021	$143,038	–	–	$85,000	–	–	–	$228,038
Total	**2022**	**$1,269,153**	**$56,415**	**–**	**–**	**–**	**–**	**–**	**$1,325,568**
	2021	$241,480	$2,313	–	$85,000	$699,966	$119,946	–	$1,148,705

1. 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
2. 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
3. Vivek Bhatia's fees are paid directly to Link Property Pty Ltd
4. John Hawkins' fees are paid for his services through Somerset Services Pty Ltd
5. Alan Cameron retired from the Board on 3 May 2021
6. Base fees for 2021 represent date of joining the Board or partial year for which fees commenced
7. The following former NEDs (and alternates) served on the Board in 2021 but did not receive any fees: David Singh, Binh Tran, Dan O'Neill, Andrew Maclachlan, Janine Rolfe, Mark McLean, Tim Cooper, Marc van't Noordende

9. Movements in Shares and Rights in the Company

9.1 KMP Shareholdings

The movements in Share and other Equity Holdings for KMP throughout FY22 are disclosed in the table below.

Table 13: KMP Shareholdings

NED	Held at 1/7/21	Shares Acquired	Shares Disposed	Held at 30/6/22
Mark Joiner	29,187	–	–	29,187
Vivek Bhatia	5,837	–	–	5,837
Dr Kirstin Ferguson	14,593	–	–	14,593
John Hawkins	5,837	–	–	5,837
Paul Rickard	5,837	3,000	–	8,837
Helen Silver AO	–	–	–	–
Melanie Willis	14,593	–	–	14,593
Executive	**Held at 1/7/21**	**Shares Acquired**	**Shares Disposed[1]**	**Held at 30/6/22**
Glenn King	1,458,442	–	302,805	1,155,637
Richard Moore	729,220	–	151,402	577,818
Simon Smith	162,476	–	56,889	105,587

1. Shares sold on 1 July 2021 to fund tax liability on shares sold during IPO to repay MEP loans

9.2 Executive KMP Performance Rights Holdings

The movements in Performance Rights for KMP throughout FY22 are disclosed in the table below.

Table 14: Executive KMP Performance Rights holdings

Executive	Held at 1/7/21	Granted during FY22	Forfeited during FY22	Expired during FY22	Vested during FY22	Exercised during FY22	Held at 30/6/22
Glenn King	–	58,176	–	–	–	–	58,176
Richard Moore	–	22,404	–	–	–	–	22,404
Simon Smith	–	11,657	–	–	–	–	11,657

The LTI plan grant of performance rights is for three years from 1 July 2021 to 30 June 2024 therefore no rights were vested or were exercised during the year. No rights are exercisable as at 30 June 2022.

Remuneration Report

10. Other KMP Disclosures

10.1 Loans to KMP

In the year ended 30 June 2022, there were no loans to Key Management Personnel and their related parties.

10.2 Other KMP Transactions

In the year ended 30 June 2022, there were no transactions entered into during the year with Key Management Personnel (including their related parties).

Definitions

Managing Director and Group Chief Executive Officer	The Managing Director and Group 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.

Financial Statements

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
Revenue	4	279,839	221,046
Cost of sales	4	(34,525)	(29,333)
Gross profit		**245,314**	**191,713**
Product development	4	(38,160)	(24,501)
Sales and marketing	4	(19,994)	(20,096)
General and administrative	4	(79,188)	(52,705)
Depreciation and amortisation	4	(66,529)	(64,178)
Depreciation of right of use assets	4,13	(1,842)	(1,830)
Loss on investments		(300)	–
Unrealised foreign exchange loss		(400)	–
Share of loss after tax from investments in associates	23	(162)	–
Profit before interest and tax		**38,739**	**28,403**
Interest income		502	650
Interest expense on loans and borrowings – related parties	18	–	(36,629)
Interest expense on loans and borrowings – other		(5,330)	(4)
Finance costs associated with leases	13	(487)	(512)
Amortisation of debt raising transaction costs		(504)	–
Profit/(Loss) before income tax		**32,920**	**(8,092)**
Income tax expense	6	(11,069)	(3,695)
Profit/(Loss) after income tax		**21,851**	**(11,787)**
Other comprehensive income			
Items that may be reclassified to profit or loss in future periods			
Exchange differences on translation of foreign operations, net of tax		(175)	–
Total comprehensive income/(loss)		**21,676**	**(11,787)**
Basic earnings per share (cents)	21	12.32	(8.54)
Diluted earnings per share (cents)	21	12.32	(8.54)

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

Consolidated Statement of Financial Position

for the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	75,391	51,517
Trade and other receivables	8	1,442	2,115
Prepayments and other assets	9	17,323	9,564
Other financial assets	10	24,141	21,451
Total Current Assets		**118,297**	**84,647**
Non-Current Assets			
Prepayments	9	4,071	–
Property, plant and equipment	11	1,607	823
Intangible assets	12	1,499,965	1,517,259
Right-of-use assets	13	7,850	10,137
Other non-current financial assets		829	250
Investments in associates	23	29,642	–
Total Non-Current Assets		**1,543,964**	**1,528,469**
Total Assets		**1,662,261**	**1,613,116**
LIABILITIES			
Current liabilities			
Trade and other payables	15	49,499	49,858
Interest bearing loans and borrowings – related parties	18	–	192,983
Provisions	16	6,735	4,967
Lease liabilities	13	1,882	1,772
Total Current Liabilities		**58,116**	**249,580**
Non-Current Liabilities			
Provisions	17	693	592
Interest bearing loans and borrowings	19	297,989	297,397
Lease liabilities	13	7,625	9,931
Deferred tax liabilities	6d	33,137	23,824
Total Non-Current Liabilities		**339,444**	**331,744**
Total Liabilities		**397,560**	**581,324**
Net Assets		**1,264,701**	**1,031,792**
EQUITY			
Contributed equity	20	1,268,362	1,058,198
Reserves	20	8,483	7,589
Accumulated losses		(12,144)	(33,995)
Total Equity		**1,264,701**	**1,031,792**

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

Financial Statements

Consolidated Statement of Changes in Equity

for the year ended 30 June 2022

	Contributed equity $'000	Share Based Payments Reserve $'000	Foreign Currency Translation Reserve $'000	Accumulated losses $'000	Total $'000
As at 1 July 2020	**1,618,632**	**–**	**–**	**(22,208)**	**1,596,424**
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**
As at 1 July 2021	**1,058,198**	**7,589**	**–**	**(33,995)**	**1,031,792**
Profit for the year	–	–	–	21,851	21,851
Exchange differences on translation of foreign operations	–	–	175	–	175
Transactions with owners in their capacity as owners:					
Issue of new shares associated with Initial Public Offering (IPO)	214,661	–	–	–	214,661
Equity Issuance costs (net of tax) (Note 20)	(4,497)	–	–	–	(4,497)
Share based payment expense (Note 20)	–	719	–	–	719
As at 30 June 2022	**1,268,362**	**8,308**	**175**	**(12,144)**	**1,264,701**

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

Consolidated Statement of Cash Flows

for the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
Consolidated Statement of Cash Flows			
Cash from operating activities:			
Receipts from customers (inclusive of GST)		307,354	241,929
Interest received		502	650
Payments to suppliers and employees (inclusive of GST)		(212,257)	(129,116)
Interest paid on loans/lease liabilities		(5,818)	(4,179)
Net cash flows from operating activities	7	**89,781**	**109,284**
Cash flows from investing activities:			
Development of intangible assets	12	(48,625)	(22,601)
Purchase of property, plant and equipment	11	(1,394)	(498)
Investments in other non-current financial assets		(879)	(250)
Investments in associates	23	(29,804)	–
Net cash flows used in investing activities		**(80,702)**	**(23,349)**
Cash flows from financing activities:			
Share capital raise at IPO	20	214,661	–
Repayment of shareholder loans	18	(192,982)	(400,000)
Payment of equity issuance costs	20	(4,908)	(598)
Proceeds from borrowings	19	–	300,000
Payment of borrowing costs	19	–	(2,603)
Payment of principal portion of lease liabilities	13	(1,749)	(1,634)
Net cash flows from/(used in) financing activities		**15,022**	**(104,835)**
Net increase/(decrease) in cash and cash equivalents held		**24,101**	**(18,900)**
Impact of changes in foreign exchange rates		(227)	–
Cash and cash equivalents at beginning of financial year		51,517	70,417
Cash and cash equivalents at the end of the financial year	7	**75,391**	**51,517**

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 2022. They were authorised for issue in accordance with a resolution of the Directors on 26 August 2022. 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 during the year ended 30 June 2021 with the remaining impacts recognised during the year ended 30 June 2022. IPO related transactions that have had an impact on the year ended 30 June 2022 include the items below. These items should be considered in conjunction with the descriptions contained within Note 1(b) of the PEXA Group's annual consolidated financial statements as at 30 June 2021 that contains further details on the various IPO steps.

- Repayment of remaining shareholder loans (Note 18)
- Transaction costs (Note 4)
- New equity issued upon IPO (Note 20)

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. The Directors consider that the basis of going concern is appropriate and the company will continue to meet its 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 and not early adopted by the Group

- Reference to the Conceptual Framework – Amendments to AASB 3
- AASB 17 Insurance Contracts
- Classification of Liabilities as Current or Non-current – Amendments to AASB 101
- Definition of Accounting Estimates – Amendments to AASB 108
- Disclosure of Accounting Policies – Amendments to AASB 108 and AASB Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to AASB 112
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to AASB 10 and AASB 128

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. Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of comprehensive income and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial information and statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within "Share of profit of an associate" in the consolidated statement of comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit and loss.

Notes to the Financial Statements

g. 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(j).

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 2022 include external 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 rate (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.

h. 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(l).

Depreciation

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

Property Plant and Equipment – over 3 to 5 years

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

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

i. 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 0.5 and 4.5 years).

Notes to the Financial Statements

ii. Lease liabilities

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

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

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

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

iv. Leases acquired in a business combination

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

j. 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.

k. 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.

l. 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

m. 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

Irrespective of whether there is any indication of impairment, intangible assets with indefinite useful lives (including goodwill) are not amortised or an intangible asset not yet available for use, but are tested for impairment annually, either individually or at the cash-generating unit level (refer Note 2(l)).

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.

n. Research and development costs

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

o. 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.

p. 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).

i. 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.

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.

ii. 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.

Notes to the Financial Statements

iii. 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 former 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.

q. 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.

r. 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.

s. 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.

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.

Notes to the Financial Statements

t. 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.

u. 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.

v. Basis of consolidation

The consolidated financial statements comprise the financial statements of PEXA Group Ltd and its subsidiaries as at 30 June 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

w. 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

x. Software as a Service Arrangements (SaaS)

The Group evaluates whether a SaaS arrangement provides the customer a resource that it can control.

Where the Group has the power to obtain future economic benefits flowing from the use of an underlying resource and to restrict access of others to those benefits, any costs incurred to configure or customise SaaS arrangements are recognised as a separate intangible software asset and amortised over the useful life of the software on a straight-line basis. If costs are incurred to configure or customise SaaS arrangements and do not result in the recognition of an intangible software asset, those costs are recognised as expenses when the supplier provides the services.

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

i. Taxation

The Group's accounting policy for taxation requires management's judgement to assess whether deferred tax assets are recognised on the Consolidated Statement of Financial Position. As detailed in Note 6(d), at 30 June 2022 the Group has recognised deferred tax assets of $144.6 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 business continuity 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.

Notes to the Financial Statements

ii. 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(m)(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.

iii. 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

i. 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.

ii. 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 required 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.

iii. 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 2022, the Group applied a VIU discounted cash flow methodology to assess recoverable amount. However, at 30 June 2021, due to the timing of the IPO and ASX listing, the Group considered sufficient evidence was provided by the IPO transaction prices. This transaction involved external market participants and therefore a FVLCD approach was 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 considered 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

	2022 $'000	2021 $'000
Revenue from contracts with customers		
Transfers	221,255	178,911
Refinances	40,414	30,026
Other exchange transactions	14,884	9,699
Other products	3,286	2,410
Total revenue from contracts with customers	**279,839**	**221,046**
Cost of sales	**(34,525)**	**(29,333)**
Product development expenses[1]		
Employee benefit expenses[2]	(20,725)	(9,501)
IT and technology costs	(17,435)	(15,000)
	(38,160)	**(24,501)**
Sales and marketing expenses		
Employee benefit expenses[2]	(15,931)	(17,076)
Travel and entertainment	(1,122)	(777)
Sales and marketing	(2,941)	(2,243)
	(19,994)	**(20,096)**
General and administrative expenses		
Employee benefit expenses[2]	(26,317)	(23,680)
Share based payment expense – MEP (Note 20(b))[2]	–	(6,267)
Share based payment expense – LTI (Note 20(b))[2]	(719)	–
Employee and Director incentive shares[2]	–	(1,322)
Professional fees	(13,662)	(8,326)
Occupancy expenses	(609)	(611)
Transaction costs associated with IPO (excluding Employee benefit costs)[3]	(23,972)	(6,470)
Insurance (including Directors and officers and public offering of securities)	(5,509)	(1,388)
Other[4]	(8,400)	(4,641)
	(79,188)	**(52,705)**
Depreciation, amortisation and impairment		
Depreciation of property, plant and equipment	(609)	(550)
Loss on sale of property, plant and equipment	–	(1)
Amortisation of Intangibles	(65,858)	(63,308)
Write off of intangible assets	(62)	(319)
	(66,529)	**(64,178)**
Depreciation of right of use assets	**(1,842)**	**(1,830)**

1. Product development expenses relate to amounts incurred on development of the PEXA Exchange software and the UK Exchange that did not meet the Group's criteria for capitalisation as an intangible asset.
2. Total employee benefits expense for the year was $63.7 million (30 June 2021: $57.8 million).
3. Transaction costs, including amounts payable to the Joint Lead Managers of the IPO, were incurred on or after the successful completion of the IPO on 1 July 2021.
4. Other general and administration expenditure is predominantly recruitment, Directors' fees and bank charges.

Notes to the Financial Statements

5. Segment Information

The Group has three reportable operating segments, being:

- **PEXA Exchange:** comprising the Australian Electronic Lodgement Network (ELN) and financial settlement platform which operates in the Australian 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.
- **PEXA International:** the Group is developing an "international" version of the PEXA Exchange platform that is intended to provide digital property lodgement and settlement solutions for new jurisdictions. PEXA has chosen the UK (through England and Wales) as the first jurisdiction for its international expansion.
- **PEXA Insights:** seeks to appropriately leverage its near real time, accurate and comprehensive property data and other data sources to generate valuable data-driven insights for property market participants.

Target customers of the PEXA Exchange are Members who execute 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 Exchange Transaction lodged via the Exchange. The price the Group charges for these services is regulated and price increases are capped.

At 30 June 2021, the Group only identified one reportable operating segment (the PEXA Exchange) given the preliminary development of PEXA International and PEXA Insights. As at 30 June 2022, the Group has recognised these two additional segments based on the on-going development of the International Exchange and PEXA Insights now managing material acquired investments and developing operational products. Information that relates to PEXA International and PEXA Insights has been restated for the comparative year ended 30 June 2021.

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.

Separate segment performance reports are provided 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.

The CODMs manage and monitor performance on Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA), which is a non-IFRS measure. EBITDA is calculated as statutory net profit adjusted for interest, tax, depreciation, amortisation and certain other costs not relating to core segment operations and activities (such as project and business expansion related costs).

Assets and liabilities for the reporting segments currently only include intangible assets and investments in associates. PEXA International assets include $20.0 million of capitalised in-house software assets. PEXA Insights assets primarily include the Group's investments in associates and are subject to equity accounting. Other Group assets and liabilities remain unallocated for segment reporting purposes.

Segment results

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

Year ended 30 June 2022	PEXA Exchange $'000	PEXA International[1] $'000	PEXA Insights $'000	Total $'000
Segment operating revenue				
Platform revenue	276,553	–	–	276,553
Other	3,220	–	66	3,286
Total segment revenue	**279,773**	**–**	**66**	**279,839**
Cost of sales	(34,525)	–	–	(34,525)
Gross margin	**245,248**	**–**	**66**	**245,314**
Resource costs	(55,051)	(6,777)	(5,049)	(66,877)
Other operating expenses	(37,503)	(5,427)	(1,388)	(44,318)
Segment EBITDA[2] from core operations	**152,694**	**(12,204)**	**(6,371)**	**134,119**
PX Ventures				(1,076)
Expenses including redundancy and restructure				(1,399)
Transaction costs associated with IPO (excluding employee benefit costs)				(23,972)
Unrealised foreign exchange loss				(400)
Share of loss after tax from investments in associates				(162)
Depreciation and amortisation				(68,371)
Interest expense (net)				(5,315)
Amortisation of debt raising transaction costs				(504)
Statutory net profit before tax				**32,920**

1. International costs are incurred in subsidiaries in the United Kingdom (Digital Completion UK Ltd) and Australia (Property Exchange Australia Ltd).
2. EBITDA represents statutory net profit before Interest, Tax, Depreciation and Amortisation and is a non-IFRS measure.

Notes to the Financial Statements

Year ended 30 June 2021	PEXA Exchange $'000	PEXA International[1] $'000	PEXA Insights $'000	Total $'000
Segment operating revenue				
Platform revenue	218,636	–	–	218,636
Other	2,410	–	–	2,410
Total segment revenue	**221,046**	**–**	**–**	**221,046**
Cost of sales	(29,333)	–	–	(29,333)
Gross margin	**191,713**	**–**	**–**	**191,713**
Resource costs	(45,777)	(2,695)	(1,125)	(49,597)
Other operating expenses	(29,000)	(1,860)	(846)	(31,706)
Segment EBITDA[2] from core operations	**116,936**	**(4,555)**	**(1,971)**	**110,410**
Expenses including redundancy and restructure				(1,540)
Transaction costs associated with IPO (excluding employee benefit costs)				(8,192)
Pre IPO management equity plan expense				(6,267)
Depreciation and amortisation				(66,008)
Interest expense (net)				(36,495)
Statutory net loss before tax				**(8,092)**

6. Income Tax

a. Income tax (expense)/benefit

The major components of income tax expense are:

	2022 $'000	2021 $'000
Consolidated Statement of Comprehensive Income		
Current income tax		
Current income tax charge	–	–
Deferred income expense		
Utilisation of prior year tax losses	(4,119)	–
Relating to deferred tax on temporary differences	(9,712)	(13,811)
Deferred tax – research and development tax credit	(687)	(501)
Adjustment in respect of prior years	1,966	129
Adjustments in respect of management equity plan	–	(995)
Recognition of current period tax losses carried forward	–	10,982
Recognition of current period tax credits carried forward	1,483	501
Income tax (expense) reported in the Consolidated Statement of Comprehensive Income	**(11,069)**	**(3,695)**

b. Reconciliation between profit/(loss) before tax and income tax (expense)/ benefit recognised in the Consolidated Statement of Comprehensive Income

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

	2022 $'000	2021 $'000
Accounting profit/(loss) before tax	**32,920**	**(8,092)**
(Expense)/benefit at the Group's statutory tax rate of 30% (2021: 30%)	(9,876)	2,428
Adjustments in respect of current income tax		
Effect of tax rates in foreign jurisdictions	(687)	–
Expenditure not allowable for income tax	(3,267)	(5,252)
Adjustment in respect of prior years	1,966	129
Deferred tax – research & development tax credit	(687)	(501)
Recognition of current period tax credits carried forward	1,483	501
Adjustment in respect of management equity plan	–	(995)
Other adjustments	(1)	(5)
Income tax (expense) reported in the Consolidated Statement of Comprehensive Income	**(11,069)**	**(3,695)**

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.

In the year ended 30 June 2021, the Group incurred various transaction costs in relation to the IPO. At 30 June 2021, these were recognised as prepayments (net of tax impacts) to the extent they were considered directly attributable to the issue of equity that occurred upon listing on 1 July 2021.

In the year ended 30 June 2022, additional expenses relating to the issue of new shares on 1 July 2021 were recognised directly in equity and those previously recognised as prepayments were transferred to equity.

Other remaining transaction costs in the year ended 30 June 2022 are recognised immediately in the Consolidated Statement of Comprehensive Income.

	2022 $'000	2021 $'000
Net deferred tax – debited/(credited) directly to prepayments[1]	171	(171)
Net deferred tax – (credited) directly to share issuance reserve	(1,927)	(179)
Total	**(1,756)**	**(350)**

1. Deferred tax on transaction costs that were reclassed to equity post 30 June 2021.

Notes to the Financial Statements

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. Refer to Note 3 for details in relation to judgements associated with taxation. The gross deferred tax balances are shown below:

	Consolidated Statement of Financial Position		Consolidated Statement of Comprehensive Income	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Deferred Tax Liabilities				
Intangible assets	(177,763)	(165,622)	(12,141)	(16,137)
Deferred Tax Assets				
Transaction costs	12,875	10,731	2,144	(2,207)
Provisions and accruals	9,312	8,163	1,149	3,997
Carry forward tax losses and tax credits	122,439	122,904	(465)	11,002
Total Deferred Tax Assets	**144,626**	**141,798**	**2,828**	**12,792**
Net Deferred Tax Liabilities	**(33,137)**	**(23,824)**	**(9,313)**	**(3,345)**

The Group, via its subsidiary in the United Kingdom, also incurred £3.4 million (A$6.2 million) of pre-trading expenses in the years ended 30 June 2021 and 30 June 2022, which gives rise to an unrecognised deferred tax asset of £0.7 million (A$1.2 million) at the United Kingdom corporate tax rate of 19%. Pre-trading expenses will be claimed in the tax computation as a deductible item when the United Kingdom subsidiary commences trading, and it is expected any deferred tax assets may become eligible to be recognised at that time.

e. Members of the Australian tax consolidated group

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

PEXA Group Limited and its 100% owned Australian resident subsidiaries 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.

PEXA Group Limited has two wholly owned subsidiaries in the United Kingdom which are not part of the Australian tax consolidated group and are standalone taxpayers in the United Kingdom (refer Note 22(c)).

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

	2022 $'000	2021 $'000
Cash at bank and on hand	60,391	51,517
Short-term deposits	15,000	–
	75,391	**51,517**

Reconciliation of profit/(loss) for the year to net cash inflow from operating activities

	2022 $'000	2021 $'000
Profit/(Loss) after income tax	**21,851**	**(11,787)**
Adjustments for:		
Non-cash items:		
Depreciation and amortisation	68,309	65,689
Debt raising transaction costs amortisation	504	–
LTI/MEP	1,710	6,267
Share of loss of associates	162	–
Remuneration cost of issuing Directors/employee shares	–	1,322
Impairment of intangibles	63	319
Loss on Investments	300	–
Capitalised interest on shareholder loans	–	32,966
Unrealised FX loss	400	–
Income tax expense	11,069	3,695
Change in operating assets and liabilities:		
Decrease/(increase) in receivables	673	(1,222)
(Increase) in prepayments/other assets	(13,088)	(1,780)
Increase/(decrease) in payables	(3,051)	12,348
Increase in provisions	879	1,467
Net cash inflows from operating activities	**89,781**	**109,284**

Notes to the Financial Statements

8. Current Assets – Trade and Other Receivables

	2022 $'000	2021 $'000
Trade receivables from contracts with customers	1,202	1,223
Rental bonds	–	203
Other receivables	240	689
	1,442	**2,115**

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 2022 was nil (30 June 2021: nil).

9. Prepayments and Other Assets

Current	2022 $'000	2021 $'000
Prepaid insurance	6,257	2,058
Prepaid software licensing and support	5,256	2,346
Prepaid land registry fees – lodgement support services	1,658	1,821
Prepaid ASX listing fees	–	1,393
Other prepayments	2,824	1,547
Other assets[1]	1,328	399
	17,323	**9,564**

Non-current	2022 $'000	2021 $'000
Prepaid insurance	**4,071**	–

1. For 30 June 2021, other assets represent costs incurred prior to 30 June 2021 (net of tax) that were 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

	2022 $'000	2021 $'000
Other financial assets	24,141	21,451
	24,141	**21,451**

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

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

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

	Furniture and fittings $'000	Office and computer equipment $'000	Total $'000
Cost			
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
Other	5	–	5
Additions	17	1,377	1,394
Disposals	–	(594)	(594)
At 30 June 2022	**199**	**2,892**	**3,091**
Depreciation and Impairment			
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)
Other	(6)	–	(6)
Depreciation charge for the year	(36)	(573)	(609)
Disposals	–	594	594
At 30 June 2022	**(140)**	**(1,344)**	**(1,484)**
Net book value			
At 30 June 2021	**79**	**744**	**823**
At 30 June 2022	**59**	**1,548**	**1,607**

Notes to the Financial Statements

12. Non-Current Assets – Intangible Assets

	Goodwill $'000	Software Assets $'000	In-House Software Assets $'000	Operational Procedures $'000	Customer Relation-ships $'000	Brand $'000	Licenses $'000	Total $'000
Cost								
At 30 June 2020	693,551	438,900	73,090	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	438,900	95,349	1,871	397,451	23,660	14,959	1,665,741
Additions	–	–	48,626	–	–	–	–	48,626
Write off intangible asset	–	–	(62)	–	–	–	–	(62)
At 30 June 2022	**693,551**	**438,900**	**143,913**	**1,871**	**397,451**	**23,660**	**14,959**	**1,714,305**
Amortisation and impairment								
At 30 June 2020	–	(42,800)	(2,964)	(913)	(38,520)	–	–	(85,197)
Amortisation	–	(29,439)	(6,748)	(624)	(26,497)	–	–	(63,308)
Write off intangible asset	–	–	23	–	–	–	–	23
At 30 June 2021	–	(72,239)	(9,689)	(1,537)	(65,017)	–	–	(148,482)
Amortisation	–	(29,388)	(9,685)	(334)	(26,451)	–	–	(65,858)
Write off intangible asset	–	–	–	–	–	–	–	–
At 30 June 2022	**–**	**(101,627)**	**(19,374)**	**(1,871)**	**(91,468)**	**–**	**–**	**(214,340)**
Net book value								
At 30 June 2021	**693,551**	**366,661**	**85,660**	**334**	**332,434**	**23,660**	**14,959**	**1,517,259**
At 30 June 2022	**693,551**	**337,273**	**124,539**	**–**	**305,983**	**23,660**	**14,959**	**1,499,965**

a. Intangible Assets

The Group's intangible software assets 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 to 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.

International (UK) in-house software is currently not being amortised as the UK platform remains under development and is not yet operational and generating revenue.

No impairments were identified in the year ended 30 June 2022 other than the write off of certain in-house intangible assets (2021: nil).

b. Impairment testing

Background

The Group determines whether its intangible assets (including goodwill) are carried above recoverable amount on an annual basis. For impairment testing purposes the Group identifies its cash generating units (CGUs), which are the smallest identifiable groups of assets that generate cash flows largely independent of cash inflows of other assets or other groups of assets.

The Group monitors goodwill at a segment level. Goodwill, Software, Customer Relationships, Brand and Licences have been allocated to the PEXA Exchange CGU for the purposes of impairment testing. In-house Software assets are allocated to the appropriate CGU.

30 June 2022 assessment

For the year ended 30 June 2022, the Group applied a value-in-use (VIU) discounted cash flow methodology to assess the recoverable amount of the PEXA Exchange and PEXA International. Key inputs and assumptions to the VIU calculation are outlined below.

PEXA Insights assets primarily include the Group's investments in associates. These investments are subject to equity accounting under AASB 128 Investments in Associates. At each reporting date, the Group determines whether there is objective evidence or if there are indicators that an investment in the associate is impaired. At 30 June 2022 no indicators were identified that an investment in an associate or intangibles are impaired. Refer to Note 23 for further details of the Investments in Associates.

Notes to the Financial Statements

Key inputs and assumptions

The table below summarises key assumptions used in the VIU model for the year ended 30 June 2022. Further information on how these were determined is contained below.

	PEXA Exchange	PEXA International
Nominal discount rate (post-tax)	8.21%	12.43%
Terminal growth rate	3%	n/a
Terminal EBITDA multiple	n/a	15x
Forecast cash flows	5 years	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 debt to equity mix. Risk premiums have also been considered for the PEXA International CGU given the development of the platform.

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 forecast cash flows, management has considered and used a range of judgments and assumptions relating to forecast transaction levels, revenue growth including competitor activity, overhead costs and discount rates. In addition, the timing of operational activity has been specifically considered in relation to PEXA International.

Furthermore, the Group continues to track lead indicators (state-by-state property listing and sales information plus PEXA Exchange workspace invitations). This allows management to monitor the drivers of future property transactions which could impact future revenue and business value.

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 for PEXA Exchange to the last year of forecast cash flows to derive a terminal value for the VIU calculation. A terminal EBITDA multiple is applied for PEXA International to the last year of forecast cashflows to derive 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 calculations 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 and PEXA International CGUs.

Change in assumption resulting in recoverable amount being equivalent to carrying value – increase/(decrease)	PEXA Exchange	PEXA International
Nominal discount rate (pre-tax)	1.46%	2.67%
Terminal growth rate	(1.9%)	n/a
Terminal EBITDA multiple	n/a	(1.1x)
Forecast cash flow input to terminal value calculation	(27%)	n/a
Forecast EBITDA input to terminal value calculation	n/a	(7.5%)

30 June 2021 assessment

As at 30 June 2021, a fair value less costs of disposal (FVLCD) approach was adopted for the Group including PEXA International. 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 considered 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 ASX 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.

13. Leases

Group as a lessee

The Group has lease contracts pertaining to three 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(i).

These leases are for office space and have lease terms of 0.5 to 4.5 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 2020	10,063
Additions	1,904
Depreciation expense	(1,830)
At 30 June 2021	10,137
Additions	101
Lease modification	(546)
Depreciation expense	(1,842)
At 30 June 2022	**7,850**

Notes to the Financial Statements

The following is a reconciliation of the lease liabilities as at 30 June 2022:

	Lease liabilities $'000
At 1 July 2020	11,433
Additions	1,904
Accretion of interest	512
Payments made	(2,146)
At 30 June 2021	11,703
Additions	101
Lease modification	(548)
Accretion of interest	487
Payments made	(2,236)
At 30 June 2022	**9,507**

Below is the allocation of lease liabilities between current and non-current liabilities at 30 June 2022:

	2022 $'000	2021 $'000
Lease liabilities		
Current lease liabilities	1,882	1,772
Non-current lease liabilities	7,625	9,931
Total	**9,507**	**11,703**

The following are the amounts recognised in profit or loss:

	2022 $'000	2021 $'000
Depreciation expense of right-of-use assets	1,842	1,831
Interest expense on lease liabilities	487	512
Expense relating to short-term leases (temporary office space)	120	276
Total amount recognised in profit or loss	**2,449**	**2,619**

The Group has total cash outflows for leases of $2.2 million for the year ended 30 June 2022 (30 June 2021: $2.4 million).

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

14. Capital and Financial Risk Management

Financial risk management

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

	2022 $'000	2021 $'000
Financial assets/(liabilities) measured at amortised cost		
Cash and cash equivalents	75,391	51,517
Trade and other receivables	1,442	2,115
Other financial assets	24,141	21,451
Other non-current financial assets	829	250
Interest bearing loans and borrowings – related parties	–	(192,982)
Interest bearing loans and borrowings	(297,989)	(297,397)
Trade and other payables	(49,499)	(49,858)
Total net financial (liabilities)/assets	**(245,685)**	**(464,904)**

The fair values of cash and cash equivalents, trade and other receivables, other financial assets, interest bearing loans and borrowing – related parties 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 facilities are subject to varying interest rates, by a Bank Bill Swap Rate (BBSY) that is subject to market fluctuations.

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.

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 Banking Facilities are guaranteed by the Obligor Group and the interest on borrowings under the facility is calculated based on a margin of 1.82% over the BBSY which is subject to market fluctuations. A +/- 100 basis point movement in interest rates would impact interest expense on loans and borrowings on the drawn down debt facility at the end of period by +/- $3.0 million.

The Group holds cash and cash equivalents which earn interest at floating rates (cash at bank) and fixed rates (short term deposits). A +/- 100 basis point movement in interest rates would impact interest earned on cash held at the end of the period by +/- $0.8 million (30 June 2021: 25 basis points +/- $0.1 million).

Notes to the Financial Statements

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
2022					
Financial liabilities	24,141	–	–	24,141	24,141
Trade payables, accruals and other payables	25,358	–	–	25,358	25,358
Interest bearing loans and borrowings	10,281	320,392	–	330,673	297,989
Lease liabilities	2,284	8,261	–	10,545	9,507
Total	**62,064**	**328,653**	**–**	**390,717**	**356,995**
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**

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 it has sufficient cash to fund 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

	2022 $'000	2021 $'000
Financial liabilities (a)	24,141	21,451
Trade payables (b)	3,647	4,532
Other accruals	18,812	23,469
Superannuation payable	57	31
Other payables	2,842	375
Total	**49,499**	**49,858**

a. Financial liability

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

b. Trade payables

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

c. Fair value

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

Notes to the Financial Statements

16. Current Liabilities – Provisions

	2022 $'000	2021 $'000
Annual leave	4,788	3,877
Long service leave	1,947	1,090
Total	**6,735**	**4,967**

17. Non-Current Liabilities – Provision

	2022 $'000	2021 $'000
Long service leave	**693**	**592**

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

	2022 $'000	2021 $'000
At 1 July 2021	192,982	–
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)
Repayment of shareholder loans	(192,982)	(400,000)
Total	**–**	**192,982**

On 1 July 2021, the remaining outstanding balance of interest-bearing loans – related parties were repaid as part of the IPO settlement process.

During the year ended 30 June 2021 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.

19. Non-Current Interest-Bearing Loans and Borrowings

	2022 $'000	2021 $'000
Borrowings – unsecured	300,000	300,000
Deferred borrowing costs[1]	(2,011)	(2,603)
Total	**297,989**	**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 1.82% over the 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 2022 there were no defaults or breaches of any obligations of the Group under the SFA.

20. Contributed Equity and Reserves

a. Ordinary shares

	2022 $'000	2021 $'000
Issued and fully paid	1,268,362	1,058,198
Total	**1,268,362**	**1,058,198**

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 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)[3]	–	(418)
At 30 June 2021	**164,717,352**	**1,058,198**
Shares issued upon IPO[2]	12,531,289	214,661
Share based payments to employees and Directors in connection with IPO[2]	77,147	–
Equity issuance costs (net of tax)[3]	–	(4,497)
As at 30 June 2022	**177,325,788**	**1,268,362**

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.
2. Upon listing on the ASX on 1 July 2021, a further 12,608,436 ordinary shares were issued at $17.13 per share to new and existing shareholders. The Company received proceeds of $214.7 million as a result of the IPO (before repayment of outstanding shareholder loans of $193.0 million and underwriting & management fees of $20.1 million for IPO Joint Lead Managers).
3. 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.

b. Reserves

Foreign Currency Translation Reserve	2022 $'000	2021 $'000
Opening balance	–	–
Current year movement	175	–
Total	**175**	**–**

Share Based Payments Reserve	2022 $'000	2021 $'000
Opening balance	7,589	–
Share based payment expense – MEP Performance shares	–	6,267
Share based payment expense – LTI Plan related payments	719	–
Share based payment expense – IPO related payments (Refer below)	–	1,322
Total	**8,308**	**7,589**

Benefits are provided to employees (including the Group Chief Executive Officer (CEO) and Senior Executives) of the Group in the form of share-based payments, whereby employees render services in exchange for equity/rights over shares.

On 30 September 2021, the Group's Board approved PEXA's Limited Equity Long Term Incentive Plan (LTI Plan) for Senior Executives. The LTI Plan aims to set and reward a high standard of performance over a three-year vesting period, tied to the appropriate company performance measures.

On 21 March 2022, the Group's Board approved the FY22 LTI Plan grant of Performance Rights to eligible employees. The total fair value of the FY22 LTI Plan grant was $2,105,562.

Key features of the FY22 LTI Plan include:

Required period of employment: three years from 1 July 2021 to 30 June 2024

Performance hurdles:

- **Relative Total Shareholder Return (TSR):** 25% of the LTI Plan is subject to performance against a relative TSR metric. Relative TSR combines the security price movement and distributions (which are assumed to be reinvested), to show the total return to securityholders, relative to that of other companies in the TSR comparator group, which is the ASX 200 Information Technology Index. The vesting scale is as follows:

Relative TSR	Vesting % of max
Below 50th percentile	Nil
At 50th percentile	50%
50-75th percentile	Pro rata
At 75th percentile or above	100%

- **Earnings per share (EPS):** 75% of the LTI Plan is subject to performance against an EPS metric. EPS is calculated based on NPATA, which is calculated as statutory net profit after tax and after adding back tax-effected amortisation of acquired intangible assets. The EPS growth measured as compound annual growth rate (CAGR) over the performance period and vests on the following scale:

EPS CAGR	Vesting % of max
Less than 15%	Nil
At 15%	50%
15-25%	Pro rata
At 25% or above	100%

Across all aspects of the LTI Plan the Board has full discretion to make adjustments where there would be a material and/or perverse outcome not to do so. These adjustments may have a positive or negative impact on outcomes.

LTI Plan Valuation

The fair value of performance rights granted under the LTI Plan is estimated at the date of grant using a combined Black Scholes option pricing model and Monte Carlo simulation option pricing model (TSR rights) taking into account the terms and conditions upon which the performance rights were granted. For grants with non-market vesting conditions (EPS), the grant date fair value is expensed over the vesting period and adjusted to reflect the actual number of rights for which the related service and non-market vesting conditions are expected to be met. The grant date fair value of awards with market performance conditions (TSR) reflects the probability of these conditions being met and hence the expense recognised over the vesting period is only adjusted for changes in expectations as to whether service criteria will be met. The fair value of TSR rights has been calculated at $11.63 per share and EPS rights at $16.13 per share.

Notes to the Financial Statements

	Key inputs and assumptions
Weighted average fair values at the measurement date ($)	16.27
Dividend yield (%)	1.00
Expected volatility (%)	25.00
Risk-free interest rate (%)	1.38
Closing share price as at the grant date ($)	16.50
Model used	Combined – Black-Scholes option pricing model and Monte Carlo simulation option pricing model

The movements in the number of LTI Plan Grant of Performance Rights on issue during the year are as follows:

	Performance Rights	WAEP
At 1 July 2021	–	–
Granted during the year	167,301	16.27
Forfeited during the year	–	–
Expired during the year	–	–
Vested and exercised during the year	–	–
At 30 June 2022	**167,301**	**–**

30 June 2021 – Management Equity Plan (MEP)

In previous years, the Long Term Incentives for PEXA Executives and other identified critical personnel prior to listing was encapsulated in the Management Equity Plan (MEP). The MEP was completed and closed prior to the ASX Listing Date of 1 July 2021 and is no longer in operation.

In addition, 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.

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 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.

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 (pre IPO). 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 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 remains continuously employed.
2. Vesting service periods assuming continuous employment were detailed as < 2nd anniversary: (Nil), 2nd anniversary: (15% of MEP Performance 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.

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 meant, 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 would assess 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 were 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 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 also 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 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 payment 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 ended 30 June 2021 were 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 stayed on foot.

The expected life of MEP Performance shares was assumed for valuation purposes and probability weighted based on the timing of potential assessed exit event outcomes for Consortium members.

21. Earnings Per Share

Basic earnings per share is calculated as profit/(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.

	2022 $'000	2021 $'000
Profit/(Loss) after income tax attributable to owners of the Group	21,851	(11,787)
WANOS[1] used in calculation of basic EPS	177,291	138,080
Effects of dilution from:		
Performance Rights	46	–
WANOS[2] used in calculation of diluted EPS	177,337	138,080
Basic EPS (cents per share)	12.32	(8.54)
Diluted EPS (cents per share)	12.32	(8.54)

1. Weighted average number of ordinary shares.
2. The WANOS used in the calculation of diluted EPS includes potentially dilutive ordinary shares under the LTI Plan. The WANOS for the prior period to 30 June 2021 has not been adjusted for the potentially dilutive ordinary shares relating to the MEP as this would have been anti-dilutive.

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 2022, Executive KMP are deemed to be the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer.

Executive KMP	2022 $'000	2021 $'000
Short-term employee benefits – Executive KMP	3,098	2,515
Share based payments – MEP	–	3,458
Share based payments – LTI Plan	387	–
Other long-term benefits	22	1
Post-employment benefits – Superannuation	74	59
Total	**3,581**	**6,033**
Non-executive KMP		
Short-term employee benefits – Non-executive KMP	1,269	242
Share based payments – Bonus Shares	–	700
Share based payments – Matched Shares	–	120
Post-employment benefits – Superannuation	56	2
Post-employment benefits – Termination	–	85
Total	**1,325**	**1,149**

Notes to the Financial Statements

b. Transactions with related parties

Other than as disclosed below, there were no transactions with KMP and their related parties during the year ended 30 June 2022 (30 June 2021: 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	2022 $'000	2021 $'000
Link Holdings (expenses for share registry management)	(207)	(7)
CBA Group (revenue)	19,782	16,046

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 consolidated financial statements of the Group include the parent entity, PEXA Group Limited, which is domiciled and incorporated in Australia and all its subsidiaries.

Name	Place of incorporation	% of equity interest	% of equity interest
		2022	2021
PEXA Group Limited	Australia		
Torrens Regulated Group Pty Ltd	Australia	100%	100%
PEXA Holdings Pty Ltd	Australia	100%	100%
PEXA Technology Pty Ltd	Australia	100%	100%
PEXA Services Pty Ltd	Australia	100%	100%
Property Exchange Australia Ltd	Australia	100%	100%
ACN 634 025 853 Pty Ltd	Australia	100%	100%
DigCom UK Holdings Ltd	UK	100%	100%
Digital Completion UK Ltd	UK	100%	100%
PEXA Insights (Holdings) Pty Ltd	Australia	100%	100%
PEXA Insights Pty Ltd	Australia	100%	100%
PEXA SettleAssist Pty Ltd	Australia	100%	100%
PX Ventures (Holdings) Pty Ltd	Australia	100%	100%
PX Ventures Pty Ltd	Australia	100%	100%

23. Investment in Associates

Investments during the year are detailed below:

Landchecker

On 28 February 2022, PEXA Insights acquired a 38% shareholding in Landchecker Holdings Pty Ltd (Landchecker).

Landchecker is a Melbourne-based business that is aligned with PEXA's purpose of transforming property experiences for everyone. Landchecker offers its customers a "one-stop source" of information about a property – including characteristics such as zoning and usage restrictions.

The associate had no contingent liabilities or capital commitments as at 30 June 2022.

Elula

On 17 June 2022, PEXA Insights acquired a 26.5% shareholding in Elula Holdings Pty Ltd (Elula).

Elula is a Sydney-based business which enables businesses to make smarter decisions through the intelligent use of data. Together with PEXA's data and analytics capabilities, this investment enables a more holistic view of critical lending and refinancing consumer behaviour, further amplifying PEXA's capabilities for financial institutions.

The associate had no contingent liabilities or capital commitments as at 30 June 2022.

The following table illustrates the summarised aggregated financial information of the Group's investment in associates:

	2022 $'000
PEXA's share of net assets of investment in associates	2,549
Goodwill	27,093
PEXA's carrying amount of investment in associates	29,642
PEXA's share of Net (Loss) after tax	(162)
PEXA's share of Net (Loss) after tax and total comprehensive income	(162)

24. Events After Balance Sheet Date

Acquisition of Slate Analytics Pty Ltd

In July 2022, the PEXA Group subsidiary, PEXA Insights, paid FrontierSI $7.0 million to acquire a 70% ownership in a newly created entity – Slate Analytics Pty Ltd (Slate Analytics). The investment allows PEXA to partner with the University of NSW and FrontierSI in providing valuation and dynamic scenario modelling.

Slate Analytics had not traded or operated prior to this investment however it held the intellectual property rights to a range of Automated Valuations Models valued at $10.0 million. No other assets or liabilities within Slate Analytics have been acquired as part of the transaction. The accounting treatment for the investment is ongoing at the date of the financial statements and additional disclosure will be provided during the year ending 30 June 2023.

Notes to the Financial Statements

Proposed acquisition of I.D. Consulting Pty Ltd and I.D. (informed decisions) Pty Ltd (collectively, ID)

On 26 August 2022, the Group announced its subsidiary, PEXA Insights, has entered into an agreement to acquire 100% of leading Australian grown demographic based consulting group, ID for an initial payment of $20 million.

ID is a land information business that provides demographic and economic data and forecasts at the micro-geographic level to over 300 local councils across Australia and New Zealand. ID comprises a team of skilled demographic and spatial analysts, population forecasters, urban economists, industry sector experts, and technology and data management specialists. Further details in relation to the proposed acquisition are included in the Group's ASX release regarding ID.

The proposed acquisition of ID will be funded from PEXA's existing cash reserves and is subject to customary transaction conditions and approvals. The Group anticipates completion of the proposed acquisition by 30 September 2022, which is after the authorised date of issue of the Group's 30 June 2022 financial statements. As a result, details of any final consideration paid and details of the final fair value of any major classes of assets, liabilities and associated goodwill that may be acquired are not yet finalised.

No other event or circumstance has arisen since 30 June 2022 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.

25. Commitments and Contingencies

Capital commitments

The Group had no quantifiable capital commitments at 30 June 2022 (30 June 2021: 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 2022 financial report.

Contingent liabilities

The Group is subject to a number of contractual obligations in agreements which, if not discharged or considered not to be discharged, may give rise to potential claims or other costs. These agreements exist to allow the Group to perform its day to day operations and monitor its various regulatory obligations appropriately.

Those obligations are included in a number of operating, participation, performance, trading and settlement agreements with various government bodies, financial institutions, state registrars, practitioners and regulators (such as ARNECC), in both Australia and the United Kingdom, with varying levels of potential liability. The Group is not aware of any actual or alleged non-performance of any obligations as at 30 June 2022.

As at 30 June 2022 there are no contingent liabilities (2021: nil).

26. Auditors' Remuneration

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

Ernst & Young	2022 $	2021 $
Audit and assurance services		
Category 1 – Group and statutory audit fees	350,000	463,510
Category 2 – Other assurance services	–	152,000
Category 3 – Other services	245,500	1,255,000
Total auditor remuneration	**595,500**	**1,870,510**

Category 1 – Fees to the Group auditor for: (i) auditing the statutory financial report of the parent covering the group; (ii) review of the half year financial report of the parent covering the group; and (iii) auditing the statutory financial reports of any controlled entities. In the year ended 30 June 2021, fees also included 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. In the year ended 30 June 2021 services primarily related to 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.

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

	2022 $'000	2021 $'000
Current assets	8,518	2,427
Total assets	1,761,136	1,748,940
Current liabilities	–	(198,550)
Total liabilities	(528,184)	(715,079)
Issued share capital	(1,268,362)	(1,058,198)
Equity reserves	(8,308)	(7,589)
Retained earnings	43,718	31,926
(Loss) of the parent entity	(11,792)	(31,096)
Total comprehensive (loss) of the parent entity	(11,792)	(31,096)

The Parent had no commitments as at 30 June 2022 (2021: 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 80 to 125 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 2022 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 by 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 2022.

On behalf of the board

Mark Joiner
Chairman

26 August 2022

Independent Auditors' Report

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

Report on the audit of the financial report

Opinion

We have audited the financial report of PEXA Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2022, 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 2022 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.

Independent Auditors' Report

Building a better working world

Capitalisation of intangible software assets

Why significant	How our audit addressed the key audit matter
Intangible software assets (including in-house software assets) are disclosed in Note 12 of the financial report and the carrying value of intangible software assets (including in-house software assets) are $461.8 million. The Group's income is generated from the processing of transactions through its internally developed software platform (the PEXA Exchange). The Group is also currently developing an "international" version of the PEXA Exchange platform in the United Kingdom. Software asset development is 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 by the Group during the year that were capitalised totalled $48.6 million. The capitalisation of intangible software assets is 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 of approvals 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 and levels of the capitalisation methodology applied by the Group in comparison to prior reporting periods and analysed trends in capitalised costs. ▶ 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.

Building a better working world

Impairment testing of goodwill and intangible assets

Why significant	How our audit addressed the key audit matter
The carrying value of goodwill of $693.5 million and other intangible assets (including software assets, customer relationships, brand and licences) of $806.5 million as disclosed in Note 12 represent 90% of the total assets of the Group. At each reporting period, the Group assesses for indicators of impairment and where indicators are considered to exist undertakes an impairment test. At a minimum, the Group performs an annual impairment assessment of goodwill balances, indefinite life intangibles and intangibles not yet available for use. The Group has used value-in-use discounted cash flow models to estimate the recoverable amount of the PEXA Exchange and PEXA International Cash Generating Units (CGUs). The estimates are based on conditions existing and emerging at 30 June 2022. The range of judgments and assumptions relating to forecast transaction levels, revenue growth including competitor activity, overhead costs and discount rates used in the impairment assessments, the sensitivity assessment to these assumptions, and the assumptions impacted by future performance and market conditions results in this area being considered a key audit matter. The Group's disclosures in relation to impairment testing of goodwill, indefinite life intangibles and intangibles not yet available for use are included in Note 12 of the financial report.	Our audit procedures included the following: Assessing the appropriateness of the CGUs where impairment testing was performed, taking into consideration the levels at which management monitors business performance and the interdependency of cash flows. In CGUs that contained goodwill balances, indefinite life intangibles and intangibles not yet available for use as at 30 June 2022, we performed the following procedures, amongst others: ► Assessed the appropriateness of the impairment testing assumptions and methodologies applied in the determination of recoverable amount. ► Evaluated whether the Group's determination of CGUs is in accordance with Australian Accounting Standards. ► Tested the mathematical accuracy of the Groups value-in-use cash flow models. ► Assessed key assumptions such as forecast transaction levels, revenue growth including competitor assumptions, overhead costs and discount rates to external independent data, where relevant. Specifically in relation to the PEXA International CGU we considered the timeline of operational activity as part of the transactional and revenue growth assumptions. ► Compared the Group's results with historical forecasts to assess forecast accuracy and compared future cash flows to board approved budgets. ► Compared earnings multiples derived from the Group's valuation models to those observable from external market data of comparable listed entities, where available. ► Performed sensitivity analysis in respect of the key assumptions to ascertain the extent to which changes in those assumptions would either individually or collectively be required for the intangible assets to be impaired. ► Our valuation specialists were involved in the performance of these procedures where appropriate. We also considered the adequacy of the financial report disclosures regarding the impairment testing approach, key assumptions and sensitivity analysis as disclosed in Note 12 of the financial report.

Independent Auditors' Report

Building a better working world

Revenue recognition and its reliance on automated processes and controls

Why significant	How our audit addressed the key audit matter
▶ The Group recognised $279.8 million in Revenue from contracts with Customers for the year ended 30 June 2022. 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. ▶ The understanding and testing of IT systems and controls that process revenue transactions is therefore a key part of our audit.	Our audit procedures included the following: ▶ We assessed the design and operating 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. ▶ We tested a sample of cash receipts to customer remittances. ▶ Our IT specialists were involved in the conduct of these procedures where appropriate. We also assessed the Group's accounting policies and disclosures set out in Notes 2(j) and 4 for compliance with the revenue recognition requirements of Australian Accounting Standards.

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 30 June 2022 annual report, but does not include the financial report and our auditor's report thereon.

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

Independent Auditors' Report

Building a better working world

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.

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of PEXA Group Limited for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Christopher Reid
Partner
Melbourne
26 August 2022

Shareholder information

The following additional information is provided in accordance with ASX Listing Rules. The shareholder information set out below was applicable as at 18 August 2022.

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:

	Ordinary shares		
Number of equity securities held	No. of holders	No. of shares	% of shares
1 – 1,000	5,505	2,046,385	1.15
1,001 – 5,000	1,626	3,330,874	1.88
5,001 – 10,000	127	928,832	0.52
10,001 – 100,000	70	1,737,694	0.98
100,001 and over	34	169,282,003	95.46
Total	**7,362**	**177,325,788**	**100.00**

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

Shareholder information

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
Citicorp Nominees Pty Limited	11,749,856	6.63
HSBC Custody Nominees (Australia) Limited	10,803,216	6.09
J P Morgan Nominees Australia Pty Limited	5,627,616	3.17
National Nominees Limited	4,785,876	2.70
Australian Foundation Investment Company Limited	2,918,856	1.65
Warbont Nominees Pty Ltd	2,540,020	1.43
Mutual Trust Pty Ltd	1,251,326	0.71
Glenn Lee King	1,155,637	0.65
BNP Paribas Noms Pty Ltd	985,045	0.56
HSBC Custody Nominees (Australia) Limited	750,000	0.42
Mirrabooka Investments Limited	745,662	0.42
Merrill Lynch (Australia) Nominees Pty Limited	732,974	0.41
Warbont Nominees Pty Ltd	619,292	0.35
Richard Gillen Moore	577,818	0.33
BNP Paribas Nominees Pty Ltd	564,690	0.32
Brispot Nominees Pty Ltd	560,668	0.32
UBS Nominees Pty Ltd	495,788	0.28
Lisa Maree Dowie	486,145	0.27
Total Top 20 holders	**165,565,355**	**93.37**
Total remaining holders	**11,760,433**	**6.63**

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: 3,350,837 ordinary shares.

The restriction on these shares will be lifted as follows:

- 3,269,494 fully paid ordinary shares will be released from voluntary escrow on 26 August 2022, when the Company announces its FY22 results.
- 64,709 fully paid ordinary shares will be released from voluntary escrow on 29 August 2022, upon the opening of the trading window following the release of the Company's FY22 results.

1,475 shares have been released from voluntary escrow under the terms of the Employee Gift Offer and 291 shares have been released from voluntary escrow under the terms of the Employee and Director Offer

Following the FY22 results, 14,868 will remain in escrow under the terms of the Employee Gift Offer.

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.

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CORPORATE DIRECTORY

Annual General Meeting

The Annual General Meeting will be held at 10.00am (AEDT) on Friday, 18 November 2022.

Company Secretary

Andrew Metcalfe (appointed 13 September 2021)

Naomi Dawson (appointed 24 February 2022)

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