PEXA

ANNUAL REPORT
2023

PEXA Group Limited
ABN 23 629 193 764

THE PEXA GROUP PROUDLY ACKNOWLEDGES AUSTRALIA'S ABORIGINAL AND TORRES STRAIT ISLANDER COMMUNITIES AND THEIR RICH CULTURES AND PAYS RESPECT TO ELDERS PAST AND PRESENT.

We recognise and value the ongoing contribution of Aboriginal and Torres Strait Islander people, and communities, to Australian life and how this enriches us. We embrace the spirit of reconciliation, working towards the equality of outcomes and ensuring an equal voice. We accept the invitation to walk with First Nations Peoples to a better future for us all and as an organisation we support The Voice to Parliament in the 2023 referendum.


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PEXA'S COMMITMENT TO ITS VALUES, PEOPLE AND COMMUNITY UNDERPINNED A SOLID PERFORMANCE IN FY23

KEY OPERATING METRICS

GROUP

77% Employee Engagement Score

EXCHANGE

3.7M

PEXA Exchange Transactions

+81 Customer Effort Score

88%

Total PEXA Exchange Market Transactions[1]

EMERGING BUSINESSES

20%

Uplift in revenue by .id in Q423, compared to the previous comparative quarter

1. Market based on Oxford Economics estimate of all property transactions in the Australian market and PEXA exchange transaction volumes.

FINANCIAL HIGHLIGHTS

GROUP

$283.4M
Business Revenue[1]

$281.7M
Revenue

$17.6M
NPATA

$98.7M
Operating EBITDA

34.8%
Operating EBITDA Margin

$14.0M
Free Cash Flow

1.86x
Net Debt to PEXA Exchange Operating EBITDA

-$21.8M
NPAT

1. Business Revenue includes $1.7 milion of interest income earned in connection with Optima's revenues, which is not included in IFRS statutory revenue, but instead is included in interest income in the Statement of Comprehensive Income.

OVERALL HIGHLIGHTS

PEXA has produced a solid result for the year, dealing with market headwinds, whilst investing for future growth, diversifying our revenue streams and increasing our reach in Australia and the UK.

Progress against each of the four pillars of our strategy included:

Enhance. Ongoing demonstration of the resilience and growth (particularly in Queensland and the ACT) of the PEXA Exchange's business model, with half-on-half improvements in margin.

Extend. Grew Business Revenue by 9x in PEXA Digital Growth whilst improving margin by around 400bp as the business started to scale.

Expand. Progress in the UK, with the launch of the PEXA Go platform, onboarding of new customers and the acquisition and integration of Optima Legal.

Evolve. Provided our people with a best-in-class employee proposition. Uplifted our productivity, risk, compliance and control activities, actively managing our reputation with stakeholders across the markets in which we operate.

EXCHANGE

$263.1M
Business Revenue

$141.1M
Operating EBITDA

53.6%
Operating EBITDA Margin

EMERGING BUSINESSES

$11.6M
Digital Growth Business Revenue (9x YoY)

$8.7M
International Business Revenue (vs nil in FY22)

-$42.4M
Combined Operating EBITDA (vs -$19.0m in FY22)

ABOUT PEXA GROUP

We are a world-leading digital property exchange platform and insight solutions business.

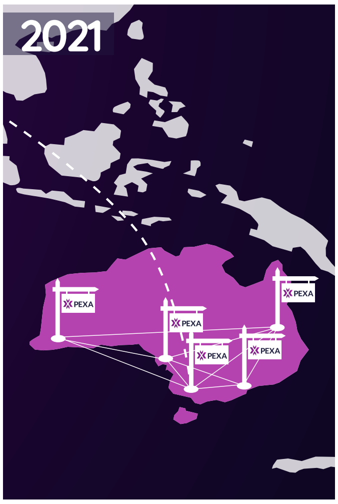
Our purpose of *Connecting People to Place* drives us to improve the effectiveness of the property markets where we operate in, creating value for our customers, shareholders and stakeholders.

Since 2013, the PEXA Exchange in Australia has facilitated more than 16 million[1] property settlements worth more than $3 trillion through its national e-conveyancing platform.

Building on this success, we are also developing a strong suite of property-related digital solutions, including acquiring innovative businesses such as Value Australia and .id.

In the United Kingdom, we have successfully started to scale our industry leading PEXA Go platform. We already have two lenders using the platform, with discussions underway with other lenders. We have further accelerated our market activities by acquiring and transitioning Optima Legal into our Group. We now service approximately 20%[2] of the UK's remortgage market and six of the UK's largest eight lenders. Work is also progressing to support our customer migration to the PEXA Platform, providing a materially differentiated proposition.

PEXA live in Victoria with one mortgage discharge



3.3 million transactions, listed on ASX & exploring the UK market

In just 18 months, our reach grew across Australia through PEXA (88% coverage), .id and Land Insight[3], invested in Value Australia; and now live in the UK with PEXA and Optima Legal

1. All property transaction volumes passed through the Exchange from June 2013.
2. Ordinary market share.
3. Acquisition took place in July 2023.

CHAIRPERSON'S LETTER

Dear Shareholders,

It is my pleasure to present to you PEXA's 2023 Annual Report. Your directors are pleased to report the progress we have made in the past year against a backdrop of challenging market conditions. Our team has remained tightly focussed on delivering value and executing against our growth plans.

Over the past year, we have continued to develop the Group in line with our previously announced strategy. We continued to enhance the operations of the Australian Exchange and launched our initial offer in the UK whilst also extending our distribution reach by acquiring Optima Legal. We have also started to scale our property insights and digital solutions business in Australia.

Key highlights include:

- **PEXA Digital Growth –** made strategic investments which have added capability across the Group and delivered organic and inorganic revenue of $11.6 million (9x year on year).
- **PEXA Exchange –** expanded our reach across Australia with 88% market transactions – up from 86% last year, through increased operations in Queensland and ACT.
- **PEXA Exchange platform –** successfully maintained above 100% availability across business hours.
- **PEXA Exchange brand experience scores –** remained positive achieving a 77+ Net Promoter Score and 9/10 for brand trust – both validating the value and support we provide our customers.
- **PEXA UK –** launched the PEXA UK platform with our remortgage offering and with plans to onboard further lenders and law firms. We already have two lenders using the platform, with discussions well-advanced with other lenders; and we acquired UK-based remortgage processing firm Optima Legal, accelerating our distribution capability to scale at pace in the UK.

Our People

None of this would be possible without the dedication and talent of our people in Australia and the UK. On behalf of the Board, thank you for your hard work and commitment to the business, to our customers and the wider community.

Governance

I want to thank my colleagues on the Board – for their curiosity, critical oversight, and insight in partnership with the PEXA management team to execute on our purpose and strategy.

To provide additional direct governance of our UK growth business, we created a UK PEXA Board in August 2022 chaired by accomplished financial executive John Hooper who brings more than 30 years of strategic, financial, and management experience in international banking and finance. Mr Hooper is joined by PEXA Board non-executive director Helen Silver, Group Managing Director and Chief Chief Executive Officer, Glenn King, and Chief Financial and Growth Officer, Scott Butterworth.

John Hawkins – a Link Group nominee director – retired on 30 June 2023 following Link's disposal of its PEXA shareholding. In July 2023, PEXA invited Jeff Smith to join as a non-executive director.

Thank you to all our shareholders and customers for your continuing interest and support in the ongoing development and growth of the PEXA Group.

Yours sincerely,

Mark Joiner
Chairperson

GROUP MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER LETTER

PEXA Group has produced a solid result for the year, serving a strong customer need, managing considerable market head winds, while maturing our business model, capabilities and investing for the future.

In 10 years, we have grown from operating Australia's first property exchange, that transformed the way property was purchased and sold in a handful of States – to what we are today – a Group of innovative digital services creating value across the wider property ecosystem, serving a strong customer need and delivering results for shareholders, our people and the community as a whole.

A year of resilience and growth in Australia

FY23 has been characterised as a year of resilience and solid growth, one in which the PEXA Group has grown into a multi-brand, multi-jurisdiction network of businesses and digital offerings, serving a larger footprint of customers.

Underpinning the year of solid growth has been the evolution of the PEXA Group operating model which has seen a new landscape of a highly skilled team and exciting emerging businesses complementing the secure and reliable enhancement of Australia's leading PEXA Exchange.

The acceleration of revenue in the PEXA Digital Growth business in just 12 months has been positive, delivered through organic growth and inorganic acquisitions of market leading property insights, digital solutions and innovative capability.

Expanding our services into the UK

Just as the PEXA Exchange has already achieved in Australia, PEXA is seeking to transform the UK property market and improve a fragmented refinancing and settlement process that currently delivers poor outcomes for homebuyers, sellers and the institutions that service them.

PEXA International's UK rollout is progressing well and the acquisition of Optima Legal has allowed PEXA to scale our business with an established customer base and a UK remortgage processing market share of approximately 20%.[1]

The UK market remains PEXA International's highest priority, with a remortgage market broadly in line with that of Australia's – and an even larger property sale settlements market. The Group also continues to investigate opportunities in other Torrens title jurisdictions.

Delivering customer centricity throughout the Group

At the heart of our digital platform services, we are a customer-first, people business dedicated to the principles of our purpose, collective values and passionate about making a difference.

I am particularly proud of our people who delivered results for our customers across our Group despite more challenging market conditions. In late 2022, we launched our new Employee Value Proposition and the PEXA Academy to invest in future leadership. Over the past year, we have achieved a 52:48 gender diversity split across the PEXA Group.

Raising our social presence in the community

PEXA is elevating its voice on critical social and economic issues as a credentialed thought leader, whilst continuing our tangible investment in Homes for Homes which has directly led to vulnerable people in our community securing safe shelter. I'm also pleased to report that PEXA has undertaken significant work over the past two years to establish our Environmental, Social and Governance (ESG) framework to leverage our insights and advance material issues of social significance, such as housing affordability, sustainability, wellbeing, and diversity.

1. Optima Legal is a remortgage processing firm headquartered in Leeds and one of the largest mortgage processing firms in the UK, with direct relationships with six of the UK's top eight lenders (with ordinary market share of 20%).

Looking ahead

The Group will continue to engage our people, customers and the wider community in our deliberate and intentional execution against our strategy, building on the four enduring pillars of our growth story showcased throughout this Annual Report.

We will continue to enhance our PEXA Exchange – with a path to launching in Tasmania in FY25, conducting further discussions with the Northern Territory Government and working constructively with our regulators.

At the same time, we will scale the Digital Growth business, leveraging the beachhead established in the UK market through the Optima Legal acquisition to support our growth in that market, while harnessing the revenues and cross-company applications of our suite of Digital Growth investments and partnerships.

Whilst there are execution risks, we are on the way to deliver against our strategy and strengthen our position as a leading prop tech company.

On behalf of the PEXA team, I would like to thank our shareholders for their ongoing support.

Yours sincerely,

Glenn King
Group Managing Director and Chief Executive Officer

OUR PERFORMANCE BY THE NUMBERS

Market conditions

FY23 was a challenging year for property markets across the globe.

In Australia, housing prices and transaction volumes receded from the highs in FY22. This rebalancing was a response to sharp rises in consumer inflation and interest rates, together with the unwinding of the COVID-related growth in housing investment. In the UK, the market was dominated by rising interest rates and deteriorating consumer finances on the back of real-term wage cuts as inflation peaked.

Group

Total Group business revenue for FY23 rose 1% to $283.4 million[1], with the growth from our emerging Digital Growth and International businesses offsetting lower PEXA Exchange revenues. Group Operating EBITDA was $98.7 million, 26% lower than in FY22. This reflected the impact of challenging market conditions, offset by a range of management actions and ongoing investment in the Group's emerging businesses.

Exchange

Exchange revenues for FY23 fell 6% to $263.1 million. The impact of reduced industry volumes and a shift in mix towards lower margin refinancing transactions was partly offset by continued growth in Exchange transaction share in Queensland and the ACT, combined with price increases during the period.

Exchange Operating EBITDA was down 7% to $141.1 million, with the impact of lower revenues being partly offset by implementing a range of productivity improvements. These allowed the business to achieve an Operating EBITDA margin of 53.6% – in line with previous market guidance of 50-55%.

At the same time, we invested approximately 20% of the Exchange's revenue in continued improvements to the platform to maintain quality service and resilience for our customers.

Emerging businesses

PEXA's development of new revenue streams through its international expansion and investments in new digital businesses and partnerships demonstrated significant progress in FY23.

PEXA Digital Growth delivered revenue of $11.6 million, of which $8.2 million came from .id, acquired in September 2022. Operating EBITDA was –$15.8 million and capex was $5.9 million during the year, reflecting our ongoing development of innovative solutions for our customers.

PEXA International delivered business revenue of $8.7 million[1] in FY23 due to our acquisition of Optima Legal. Primarily driven by ongoing development of our UK business, operating EBITDA for FY23 was -$26.6 million, and our capital expenditure was $24.0 million. This reflects our ongoing investment in the PEXA International platform and integration of Optima Legal.

1. Business Revenue includes $1.7 million of interest income earned in connection with Optima's revenues, which is not included in IFRS statutory revenue, but instead is included in interest income in the Statement of Comprehensive Income.

DELIVERING ON OUR GROUP STRATEGY

The Group's strategy is to enhance and leverage its highly effective property exchange know-how to deliver profitable growth from logically adjacent segments in Australia and internationally.

In Australia we are extending the range of services and solutions available to our practitioners, financial institutions, property developers, and government customers.

Internationally, we have also expanded our proposition to serve financial institutions in the United Kingdom.

Our business has continued to evolve to ensure we deliver for our customers, people, shareholders, and the community.

Our delivery is through a Group of businesses centred on our purpose of **Connecting People to Place** and values of **Better Together**, **Make it Happen, Make it Count**; and **Innovate for Good**.

PURPOSE

PRIORITIES

ENHANCE

We will enhance the core Exchange in Australia to build deeper customer relationships

VALUES

Innovate for good

ORGANISATION

People

BRANDS

PEXA

CONNECTING
PEOPLE TO PLACE

EXTEND

We will provide innovative insights and digital services for customers, using near real-time data

EXPAND

We will bring digital property solutions to international jurisdictions, leveraging PEXA's experience in Australia

EVOLVE

We will invest in our people, platform, and brand to sustain an innovative culture and reputation trusted by stakeholders

Better together

Make it happen
Make it count

Community/ESG

Resilience and security

Data and privacy

.id informed decisions
valueaustralia
Land Insight
Optima LEGAL

ENHANCING THE PEXA EXCHANGE

PEXA is a licenced operator of Australia's largest Electronic Lodgement Network (the PEXA Exchange). The Exchange facilitates the lodgement and settlement of property transactions through an integrated digital platform that operates in all Australian jurisdictions apart from Tasmania and the Northern Territory.

In FY23, we served more than 10,000 practitioners, 20 government agencies, approximately 160 financial institutions and 70 developers. Through them, we supported 900,000 consumers undertaking 3.7 million PEXA transactions[1] with a property settlement value of more than $814 billion.

Key developments during the year included:

- Delivering over 250 innovations to improve and expand the platform's capability.
- Maintaining 100% platform availability across business hours through our ongoing investment in the Exchange's resilience and security.
- Making available 10 new APIs to our customers, allowing them to more effectively integrate their workflows with those of the Exchange.

77%

transaction share in

WA

88%

Total PEXA Exchange Market Transactions[2]

+81

Customer Effort Score

More than **10,000**

practitioner firms

Approx. **160**

financial institutions

900,000

Consumers

6

Land Titles Offices (LTO)

5

State Revenue Offices (SROs)

INTEGRATED

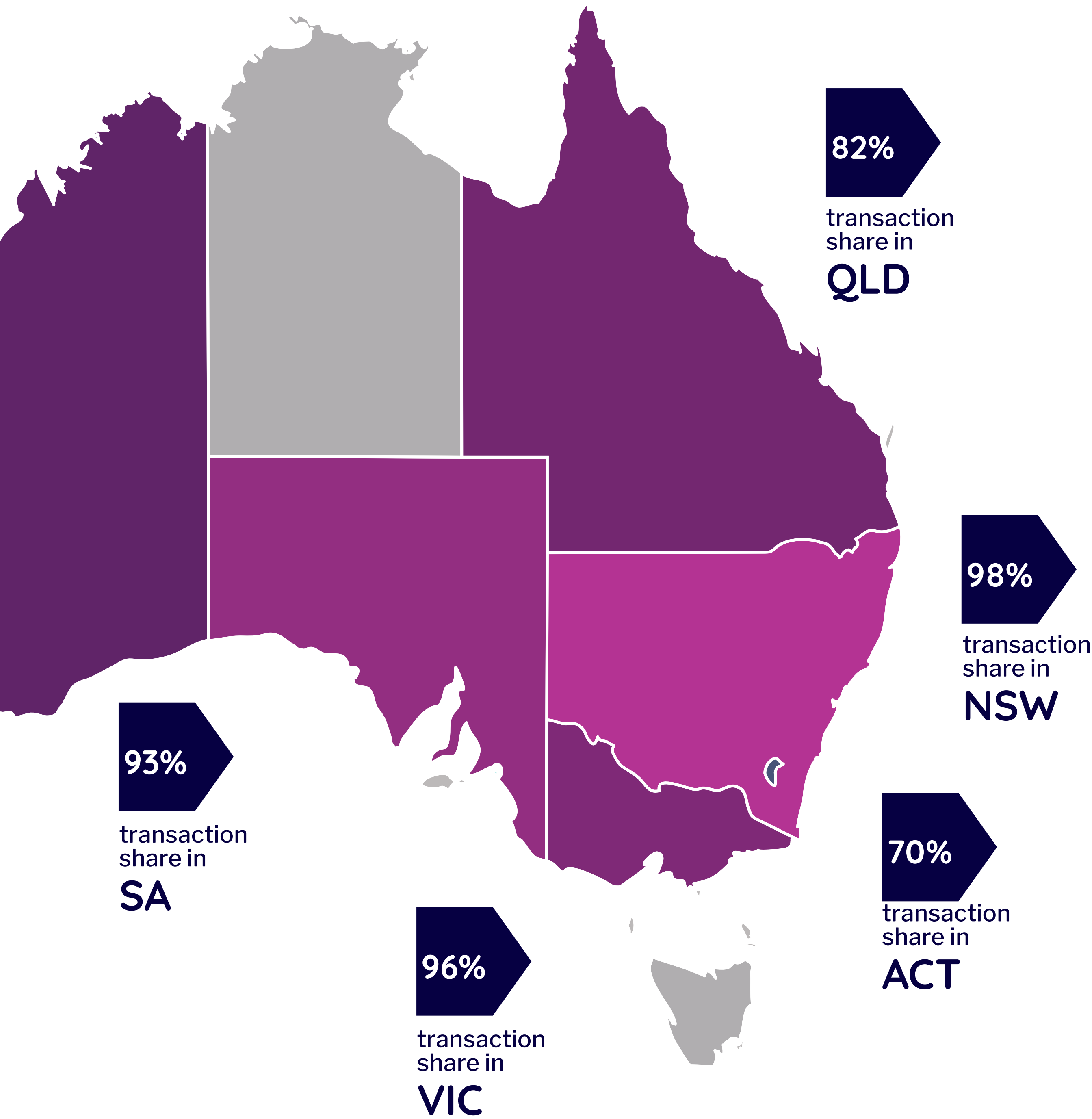
with the RBA

Integrated Systems:

11

Software Providers

1. An Exchange transaction is a billing event (such as transfers, refinancing and other transactions).
2. Market based on Oxford Economics estimate of all property transactions in the Australian market and PEXA Exchange transaction volumes.



82%
transaction share in
QLD
98%
transaction share in
NSW
93%
transaction share in
SA
70%
transaction share in
ACT
96%
transaction share in
VIC

EXTENDING OUR REACH

The Australian property market is undergoing significant digital transformation, leading to rapidly evolving customer needs.

PEXA has built and acquired a range of innovative solutions to service these needs, leveraging our digital know-how, our own and acquired data, and extensive distribution networks to do so. We have established PEXA Digital Growth to drive these efforts.

We are executing against four 'use verticals' to create a competitive and strategically relevant business, whilst creating the supporting platforms required for long-term sustainability – demand for land, use and value of land, transaction efficiency, and affordability. Focusing on them leverages PEXA's unique capabilities and builds and deepens relationships with our customers. In FY23, PEXA built and acquired the required skills and capabilities to broaden our customer offering, commercialising data, entering new partnerships and achieving several key milestones across our four strategic growth pillars.

Key developments during the year included:

- Acquiring 100% of Australian demographic-based consulting company, .id (Informed Decisions) which provides demographic and economic data, as well as forecasts at the micro-geographic level, to more than 300 local councils across Australia. This has supported our work to establish PEXA as a leading provider of solutions that support the effective allocation of local-level resources and investment by stakeholders ranging from government to developers.
- Acquiring a 70% stake in Value Australia, with a view to commercialising its award-winning technology. Value Australia is the result of five years of research and development collaboration led by the University of NSW Sydney and its not-for-profit partner, FrontierSI. Value Australia's technology applies state-of-the-art analytics and artificial intelligence to enriched property datasets, delivering highly accurate and consistent results in real time. It can unlock substantial value and tangible benefits right across the property ecosystem, such as for the lending and government sectors, as well as for developers and property valuers. Supported by our investments in Landchecker and Archistar, this creates the opportunity for PEXA to provide innovative valuation solutions to our key customer segments.

"PEXA itself was a success story born out of a COAG collaboration, providing a digital solution to a government and industry problem and, as a result, making it easier, safer, and more secure to transact property. Value Australia provides us with the capability to extend our growing role across the property market with ground-breaking technology which has the potential to transform the land and property valuation process, delivering highly accurate valuations faster and cheaper and supporting the valuation community".

Mark Nassif, Chief Executive Officer, Value Australia

Supporting our customers

Digital Growth has also developed a range of workflow, bespoke data analytics, and partnerships to improve the experience, effectiveness, and business optimisation of our customers and those they support. This has included our work with SendFX, which enables our practitioner clients to offer foreign exchange payment services. We have also invested in OPEX, to provide our practitioner customers with a solution to the pain points arising from the bulk execution of contracts on behalf of property developers.

"Since using OPEX in our practice, it has substantially transformed the way in which we establish and manage off the plan contracts and projects for our developer clients, providing efficient, seamless issuing of contracts and transparency to all property players on a project. We have no doubt that OPEX will continue to rise above all other platforms of this kind, with its proven adaptability and flexibility consistent with the property market we work in".

Despina Priala, Director and Legal Practitioner, Priala Legal

EXPANDING INTO INTERNATIONAL MARKETS

PEXA Group continued to scale its UK presence, with the aim of creating value by transforming the fragmented and inefficient property conveyancing process in that market. There is strong interest by government and industry stakeholders in PEXA's offerings given poor consumer outcomes and the shift to digital transactions.

Key achievements during the year included:

- Launching our new PEXA Go platform in September 2022. Initially focused on the remortgage segment, the platform is connected to the Bank of England via our partner ClearBank and His Majesty's Land Registry. It allows for the automated digital discharge of an existing mortgage, the registration of a new mortgage, and the disbursement of the relevant funds.
- Onboarding Hinckley & Rugby Building Society and Shawbrook Bank onto the platform, allowing them, with the support of our conveyancing partner Muve, to become the UK's inaugural users of PEXA Go.
- Acquiring specialist remortgage conveyancing firm, Optima Legal, to extend our distribution reach in the UK. Based in Leeds, Optima Legal is one of the largest remortgage processing firms in the UK, with approximately 20%[1] share of the remortgage market and direct relationships with six of the UK's top eight lenders.
- Announcing in June our intention to establish our UK Head Office in Leeds. The new bespoke office demonstrates our commitment to the UK market and to investing in the communities in which we operate.

"The acquisition of Optima Legal by PEXA places us in a unique position in the conveyancing market in the UK. We bring market leading legal expertise which we will combine with PEXA's technological capabilities and platform to show the UK market that there is a digital solution to the conveyancing conundrum. The work we are already undertaking on refinancing will provide the springboard for PEXA into the sale and Purchase market in the UK."

Tom Trevorrow, Managing Director, Optima Legal

1. Ordinary market share.

EVOLVING OUR PEOPLE AND BUSINESS

We continued to evolve, develop our capabilities and build our reputation by investing in our people, and the systems, processes, and controls which they use. This, in turn, supported our focus on improving both our customer and people experience – whilst ensuring we met our legal and regulatory responsibilities.

Key developments during the year included:

- Onboarding 548 new team members during the year to a total of 968 employees[1].
- Improving the range of financial and non-financial benefits available to our team members, recognised by industry including the Australian HR Awards for Employer of Choice.
- Championing an environment that fosters diversity, equality, and inclusion for all. We were placed in the top 25% of global technology companies for diversity and inclusion in our all-employee survey in October 2022. Our Executive team is now comprised of 43% who identify as female, up from 40% in FY22.[2] We are particularly focused on attracting more women into technology roles within PEXA. In FY23, 28% of our technology team identified as female, an uplift from 21% from FY22.
- Launching the PEXA Academy in early FY23 to support the growth of our workforce by creating a continuous learning culture. It has helped more than 400 employees through distinctive learning experiences whilst facilitating the expansion of our graduate and internship program.
- Creating a new strategic partnership with Victoria University and expanded relationships with the University of NSW and Melbourne Business School.
- Providing innovative practical solutions, by working with our partner, LongView to produce a series of 'whitepapers', exploring options for affordable housing in Australia.
- Investing in automation and other tools to enhance the employee and customer experience and reduce cost.
- Our risk management processes were also refined to support our growing global footprint.

1. Permanent employees of the PEXA Group including Optima Legal and .id as at 30 June 2023.
2. As from 1 July 2023.

PEXA RECOGNISED BY INDUSTRY

"I have been a PEXArian for over two years, and what I love most about working at PEXA, is being able to bring my complete self to work. I am autistic, meaning I think and work differently to most of my peers. I have benefited from PEXA's Flex First framework, which has enabled me to work remotely, addressing my personal needs. PEXA's acceptance and celebration of my uniqueness, has empowered me to make contributions at PEXA, without losing sight of my personal wellbeing and identity."

Michaelina (Mish) Lisik, Application Services Business Partner, PEXA Group

CIO50 AWARDS

Chief Technology Officer Eglantine Etiemble was placed No 3 in this year's CIO of the Year Awards. The CIO50 Awards celebrates the achievements of the top senior technology and digital executives in Australia driving innovation, building great cultures, and influencing leadership teams.

Awards presented in FY23

HR AWARDS — **WINNER** Employer of choice

ASIA-PACIFIC SPATIAL EXCELLENCE AWARDS — **WINNER** Innovation, Medium to large business (Value Australia)

csia — **FINALIST** Customer service leader of the year

FINALIST FINANCIAL REVIEW BOSS MOST INNOVATIVE COMPANIES

FINTECH AUSTRALIA FINNIES 23 — **FINALIST** Industry collaborations and partnership award (with Send payments)

csia — **FINALIST** Service excellence award for medium contact centres

2022 AUSTRALIAN HR AWARDS EXCELLENCE AWARDEE, Employer of Choice (100-999 Employees) — **FINALIST** Excellence award for best health and wellbeing program

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Sustainability

PEXA remains on target to be net zero by 2025 across Scope 1 and Scope 2 emissions and, with the development of our carbon management plan, we are focusing on long-term environmental emissions reduction across the PEXA Group.

Social impact – PEXA giving back to the community

PEXA is proud to be a long-time partner of social enterprise, Homes for Homes,[1] supporting its long-term mission to end homelessness in Australia.

PEXA and Homes for Homes began working together in 2016. Between 2021 and 2023, PEXA has granted $300,000 to Homes for Homes and is pleased to continue the partnership into FY24.

In FY23, PEXA began a partnership with Housing All Australians to build a national Affordable Housing Register – aimed to drive transparency, efficiency and trust in affordable housing programs. PEXA looks forward to continuing this partnership and important work.

The journey to sustainable and genuine reconciliation

PEXA proudly supports the Uluru Statement from the Heart and believes that meaningful engagement with First Nations communities is a key part of achieving this vision. In FY23, PEXA completed its inaugural Indigenous Engagement Strategy (IES) which will roll out over the course of FY24 in target areas of employment, products and services as well as community.

ESG governance

In late FY23, PEXA undertook its inaugural ESG Materiality Assessment. The process involved feedback from PEXA's leadership team, its customers, employees and investors. This resulted in the identification of current and developing ESG topics of interest to the PEXA Group and its stakeholders. The outcomes of our assessment alongside our corporate risk management frameworks will inform the next phase of PEXA's ESG strategy and governance practices.

> ***"Housing All Australians firmly believes that collaboration with value-aligned private sector organisations, such as PEXA, can play a pivotal role in addressing Australia's housing crisis. PEXA has demonstrated its commitment by contributing its expertise to develop the PRADS Affordable Housing Register, a groundbreaking initiative that facilitates the unlocking of private sector capital, at scale, to support the delivery of affordable housing nationwide. We consider ourselves incredibly fortunate to have PEXA as our partner in our mission to help resolve Australia's housing crisis."***
>
> **Louise Rutten**, Chair and Co-Founder, Housing All Australians

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1. Homes for Homes is a social enterprise – backed by The Big Issue –where property owners choose to contribute 0.1% of the sale price of the property when it sells to support Homes for Homes which in turn pools the funds and disburses them to community housing providers to increase the supply of homes to those in need.

FINANCIAL REPORT

For the year ended 30 June 2023

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 2023 (FY23), were authorised for issue in accordance with a resolution of the directors on 25 August 2023.

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 code "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, having served as Executive Director of Finance for NAB Group and currently serving as a non-executive director of Latitude Group Holdings Limited (ASX: LFS), Chairperson of TAL Services Limited and as a director of various Insignia Financial asset management subsidiaries. Mark has previously held multiple directorships at NAB Group subsidiaries, including Clydesdale Bank PLC and JBWere.

Mark's earlier career included time as CFO and Head of Strategy and M&A for Citigroup's global wealth management business in New York, and as 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 a Senior Vice President and as Global Head of its Corporate Development practice.

Mark is a Chartered Accountant and holds an MBA with distinction from the Melbourne University School of Business.

Glenn King

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

Glenn is a globally experienced executive with a proven track record of transforming and leading organisations in the government, non-profit and financial services sectors.

Before joining PEXA in late 2019 Glenn was a senior public servant in the New South Wales (NSW) Government, including Secretary of NSW's Customer Service Department, inaugural CEO of the award-winning Service NSW, NSW Customer Service Commissioner and Deputy Secretary of Department Premier and Cabinet. During Glenn's tenure, he counselled Premiers and Ministers on policy execution focussed on the citizen imperative and led organisations with over 5,000 employees and operating budgets in excess of $3.0 billion. His Departments or Agencies were recognised through numerous international and national awards for customer innovation and employee engagement. Glenn was appointed a Fellow of the Institute of Public Administration Australia for outstanding contribution to study or practice of public administration and continues to be regularly sought out as a thought leader in customer digital transformation.

Prior to his public service, Glenn had a successful international career in Financial Services. Over a 25-year period he held C-Suite positions in Banks owned by the National Australia Group operating in England, Scotland, Northern Ireland, Australia, and New Zealand. His early career was in the life insurance, investments, and pensions sector with both the National Mutual and AXA Groups.

Glenn has been an Executive at Save the Children Australia and held numerous Business Advisory and Community Board roles, including more recently the Melbourne Business School Centre for Business Analytics Industry Advisory Board.

Glenn has a BCom (Honours) from Deakin University, a Post Graduate Diploma in Business Administration from Swinburne University, as well as completing programs at both the University of Adelaide and the Harvard Kennedy School.

Dr Kirstin Ferguson AM

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

Kirstin is an experienced director of ASX listed companies and is also an author and columnist. Kirstin has been recognised internationally for her work in leadership and holds a PhD in the field. She was made a member of a Member of the Order of Australia in 2023 for her significant contributions to business and gender equality.

Kirstin was formerly the Acting Chair and Deputy Chair of the Australian Broadcasting Corporation and she has served as a non-executive director on the boards of SCA Property Group Ltd (January 2015 – July 2021), EML Payments Ltd (February 2018 – August 2021), CIMIC Group Ltd (July 2014 – November 2016), Envato Pty Ltd (May 2021 – June 2023), Hyne and Son Pty Ltd (August 2013 – April 2021), Sunwater Ltd (October 2008 – August 2015), as well as a number of charitable organisations.

Kirstin was formerly the CEO of a global consulting company and began her career as an Officer in the Royal Australian Air Force. As well as a PhD, Kirstin holds a Bachelor of Laws (with Honours) and a Bachelor of Arts (with Honours). Kirstin has been an Adjunct Professor of the QUT Business School since 2015.

Melanie Willis

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

Melanie is a Non-Executive Director with extensive experience as a Chair of Audit and Risk Committees. Melanie has served on the Board of the Australia Pacific division of QBE Insurance Group Ltd (ASX: QBE) since September 2020, becoming Chair in May 2023, and has also served on the Boards of Challenger Limited (ASX: CGF) since December 2017 and PayPal Australia Limited since 2019. Melanie was previously a Non-Executive Director at Southern Cross Media Group Limited, Mantra Group and Pepper Group, and Chief Executive Women and Chair of the Education Committee of the AICD 30% Club.

Melanie has held senior 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 technology consulting at Andersen Consulting.

Melanie currently chairs PEXA's Audit and Risk Committee and is a member of the Audit Committee at Challenger and chairs the Audit Committee and Remuneration Committee at PayPal Australia. She previously chaired the Audit and Risk committee at Mantra and was a member of the Audit Committee at Pepper Group. Melanie is also an Advisory Committee member for facial recognition company Noahface, Taronga Ventures and Tidal Ventures and also mentors several leaders. Melanie has a Bachelor of Economics from the University of Western Australia and Masters of Taxation from Melbourne University.

Vivek Bhatia

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

Vivek is the current Group Managing Director and Chief Executive Officer of Link Group Limited (ASX: LNK), having been appointed to this role from November 2020. Vivek was one of Link Group's two nominee directors on the PEXA Board until Link Group's in-specie distribution of PEXA shares in January 2023. He remains on the board as an independent director.

Vivek has over 25 years of experience in financial services, technology, government and management consulting. Prior to joining Link Group, Vivek was Chief Executive Officer of the Australia Pacific division of QBE Insurance Group Ltd (ASX: QBE), and the CEO and MD of Insurance and Care NSW.

Prior to this, Vivek was a leader of the Restructuring and Transformation (RTS) practice at McKinsey & Company across the Asia Pacific region 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 PEXA from November 2011 to November 2018, joining the Board about twelve months after the company's formation.

Paul is an experienced director of listed companies. He has served 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 financial services. 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's experience as a non-executive director covers ASX listed, private company, not for profit and Government boards. As well as serving as a director of PEXA, Helen is currently an independent director of Crown Melbourne Limited and Chair of the Australian Children's Television Foundation.

Helen has been a senior executive with two major financial services companies in Australia, National Australia Bank and Allianz Australia, where she was Deputy Managing Director. Helen has also worked at the highest levels of Commonwealth and Victorian Governments where her last role was Secretary of the Victorian Department of Premier and Cabinet.

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

John Hawkins

(Non-executive Director, appointed 4 October 2018 – retired 30 June 2023)

John was one of Link Group's two nominee directors on the PEXA Board up until Link Group's in-specie distribution of PEXA shares in January 2023. He remained on the board until his resignation on 30 June 2023.

He served as an non-executive director and the chair of the Investment Committee.

Prior to listing, John served as the chair of the Risk Management & Audit Committee.

John is currently the chair of Specialised Container Holdings Pty Ltd and 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.

Jeff Smith

(Independent Non-Executive Director, appointed 5 July 2023)

Jeff is an Independent Non-Executive Director at Australia and New Zealand Banking Group Limited and serves as a member of several board committees, including its Digital Business and Technology Committee, Risk Committee, Human Resources Committee, and Nominations and Board Operations Committee.

Based in the United States, Jeff is an experienced global business and technology executive, with over 30 years corporate experience which includes senior executive roles in a number of companies including Telstra, Honeywell and Toyota. Jeff is also a Director of Sonrai Security Inc.

He was also previously the Chief Information Officer at IBM Corporation where he was responsible for global IT strategy, resources, systems, and infrastructure, and he also led the company's agile transformation. He was also CEO of Suncorp Business Services and Suncorp Chief Information Officer, and formerly Chief Operating Officer of World Fuel Services Corporation from 2017 to 2022.

Jeff also served on the Australian Fulbright Commission awarding Australian post-graduate scholarships to US universities.

Jeff holds a Master of Business Administration from San Jose State University, USA and a Bachelor of Science from Miami University, USA.

Company Secretaries

Alice Morrison

Alice has global responsibility for legal, risk and regulatory affairs for the Group. Alice was appointed Chief Legal and Governance Officer on 28 November 2022 and Company Secretary on 28 February 2023. Prior to joining PEXA, Alice held General Counsel and other leadership roles at an ASX 100 company, following 15 years of private practice in Australia, the UK, and the US.

Naomi Dawson

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.

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		Investment Committee	
Director	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
M Joiner	10	10	5	5	8	8	8	6
J Hawkins	10	10	5	5	—*	5	8	8
G King	10	10	—*	5	—*	8	8	8
K Ferguson	10	10	5	5	8	8	—*	—
M Willis	10	10	5	5	—*	3	8	8
V Bhatia	10	10	—*	3	8	8	—*	—
P Rickard	10	10	5	5	—*	7	8	8
H Silver	10	10	5	5	8	8	—*	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	Investment Committee
M Willis (Chair)	K Ferguson (Chair)	J Hawkins (Chair)
M Joiner	M Joiner	M Joiner
J Hawkins	V Bhatia	M Willis
K Ferguson	H Silver	P Rickard
P Rickard		G King

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	Rights
M Joiner	29,187	—	—
J Hawkins	419,790	—	—
G King	1,155,637	121,611	—
K Ferguson	14,593	—	—
M Willis	14,593	—	—
V Bhatia	95,935	—	—
P Rickard	9,887	—	—
H Silver	—	—	3,537[1]

1. Under the Minimum Shareholding Requirements - Helen Silver sacrificed a portion of her annual base Board fees to receive rights to receive Shares (Share Rights). Helen was granted 3,537 Share Rights following the release of the FY23 half year results and these will vest after the end of the blackout period following the release of PEXA's FY23 full year results.

Significant changes in the state of affairs and future developments

Refer to the Principal Activities, Review of Operations and Future developments sections for information on the significant changes in the Group's 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 Directors' report because the Directors' believe it would be likely to result in unreasonable prejudice to the Group.

Operating and Financial Review

The purpose of this section is to:

- Provide an overview of our purpose, business model and strategy;
- Discuss the Group's business segments, PEXA Exchange, PEXA Digital Growth and PEXA International;
- Discuss the key risks associated with the Group; and
- Provide a review of the Group's financial condition and performance.

1. Principal Activities

PEXA undertakes three principal activities:

- PEXA Exchange – the operation of an Electronic Lodgement Network (ELN) in Australia, across New South Wales, Victoria, Western Australia, South Australia, Queensland, and the Australian Capital Territory.
- PEXA Digital Growth – provision of property-related analytics and digital solutions to financial institutions, governments, property developers and related professionals, and practioners in Australia.
- PEXA International – the provision of digitalised property registration and settlement, and related services, in overseas Torrens Title jurisdictions, initially in the United Kingdom (UK).

2. PEXA's Purpose, Business Model and Strategy

PEXA's purpose is to *connect people to place*.

In pursuit of this purpose, PEXA has spent over a decade building the PEXA Exchange and has pioneered the digitalisation of property registration and settlement. The Group now operates Australia's leading property Electronic Lodgement Network (ELN), a robust, resilient, cloud-based platform that connects financial institutions, practitioner firms, the Reserve Bank of Australia, Land Titles Offices and State Revenue Offices. PEXA is continuing to *enhance* the platform through new integrations, functionality, and features, and by supporting customer experience and engagement.

Leveraging its distribution and other assets PEXA has created, PEXA Digital Growth extends PEXA's presence in the property market to provide insights and digital services which transform the experiences of developing, buying and selling, financing, settling, owning, and servicing properties.

The Group is also using the expertise it has developed in Australia to *expand* into other markets which use Torrens Title processes for land registration, starting with the UK. The Group is also exploring entry into other markets, including New Zealand and Canada.

To support this strategy, the Group continually *evolves* the processes it uses to grow and develop its people, manage its risks, and to ensure the robustness and resilience of its various platforms.

PEXA Exchange

The Exchange now supports over 88% of the property transactions undertaken in Australia. Key activities facilitated by the Exchange include:

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

The PEXA Exchange charges fees, which depends upon the nature of the underlying transaction, for these activities. Fees are collected digitally at the conclusion of the transaction. The Exchange's overall revenue is dependent on the volume and lodgement type of transactions.

PEXA Digital Growth

Digital Growth operates across three broad offerings.

.id, acquired in September 2022, is a leading provider of demographic, economic and property information to local governments and a range of other public and private sector organisations. As such, .id enables customers to determine where to make key investments such as in infrastructure, housing, retail, and education facilities.

The Group acquired 70% of Value Australia in July 2022. This investment allows PEXA to partner with the University of NSW and Frontier/SI in providing automated valuation and dynamic property scenario modelling to governments, financial institutions, and property developers.

Alongside these businesses, PEXA Digital Growth also provides customers with digitally enabled tools and services that reduce transaction costs in the property chain, whilst also improving customer experiences and journeys.

Digital Growth also has minority investments in Elula Holdings Pty Ltd, Archistar Pty Ltd, OPEX Contracts Pty Ltd, Honey Insurance Pty Ltd and Landchecker Holdings Pty Ltd, innovative businesses that provide solutions which reinforce and extend those provided by Digital Growth.

PEXA International

PEXA has initiated its international expansion by entering the UK market, focussing initially on England and Wales. The Group has now built a lodgement system (PEXAGo) and settlement system (PEXAPay) which are connected to His Majesty's Land Registry (HMLR) and the Bank of England (BOE).

The platform is now in production and PEXA's UK business has provided remortgage processing support to Hinckley & Rugby Building Society and Shawbrook Bank since late 2022.

To further support its UK expansion, PEXA also acquired leading UK remortgage processing firm, Optima Legal Services Limited (Optima Legal) in November 2022. Optima Legal is a high-volume remortgage processing firm headquartered in Leeds that provides legal services in the UK remortgage market. It is one of the largest mortgage processing firms in the UK, with approximately 20% share of the remortgage market and direct relationships with six of the UK's top eight lenders.

Work is currently underway to integrate Optima Legal's systems with PEXA's platform technology to demonstrate the benefits of its technology at scale, facilitating and fast tracking the adoption of PEXA's exchange platform in the UK market. The long-term goal will be for lenders to be able to choose to utilise PEXA's technology directly, via Optima Legal, or via any other UK conveyancing firm that integrates with the PEXA International platform.

PEXA International's property exchange platform generates fees in a similar way to the PEXA Exchange in Australia. Optima Legal's revenues are primarily based on the fees charged for each transaction it completes, which are based on negotiated schedules with each of its lending customers.

3. Key Risks

The Group's risk management framework is designed to identify material financial and non-financial risks that may impact its ability to achieve the strategic objectives outlined above. Core to this framework is the Board's establishment of a risk appetite for the Group.

As set out in the table below, compliance with the Group's risk appetite and its risk management framework is assured by a three lines of defence model. Business leaders are responsible for identifying and managing risks within their areas of responsibility. The Group's risk management function establishes the Group's risk management framework and challenges the effectiveness of management's compliance with it. Internal Audit undertakes various independent assessments to ensure effective risk compliance.

BOARD

Audit & Risk Committee

First line of defence
Risk owners

Business management

Implementation, ongoing maintenance and enhancement of the risk management framework, including:

- Identification and effective management/mitigation of risks; and
- Issues and action identification, recording, escalation and management.

Likely to include executive and management committees, forums and delegated authority.

Second line of defence
Review & challenge

Risk and compliance functions

Independent oversight of risk profile and risk management framework, including:

- Effective challenge to activities and decisions that materially effect the institutions risk profile;
- Assistance in developing, maintaining and enhancing the risk management framework; and
- Independent reporting lines to appropriately escalate issues.

Third line of defence
Independent assurance

Internal audit / 3rd party review

Independent assurance on the appropriateness, effectiveness and adequacy of the risk management and control environments, including:

- Providing assurance to the board and senior management that first and second lines' efforts are consistent with expectations.
- Bringing a systematic approach to evaluating and improving the effectiveness of risk management, control, and governance processes.

Material risks faced by the Group are outlined in the table below.

Category	Risk	Mitigation strategies
Strategy and growth	**Strategic Execution** Failure to execute and deliver on key projects, and programs that meet our strategic goals and market expectations.	• Board oversight of key strategic initiatives to challenge and to monitor progress and outcomes. • Formal governance processes over portfolio and project management, investment, and benefits realisation. • Established processes and procedures in place to monitor key strategic projects to improve the likelihood of delivery. • Executive sponsorship and accountability for delivery.
	Mergers and Acquisitions Mergers and acquisitions and new partnerships fail to deliver expected outcomes. This may result in failure to achieve the expected benefits of a transaction, or see the Group incur additional costs relating to integration of an entity or additional costs related to the delivery of expected benefits from the transaction.	• Board governance of potential acquisitions, integration activities and investment performance. • Dedicated M&A team to identify opportunities / issues and lead integration. • Formalised due diligence framework with subject matter input from internal and external experts.
Market and competition	**Global economic and local market forces on demand for PEXA products and services** Unexpected changes to market conditions could result in changes for demand of PEXA products and services leading to lower revenues.	• Dedicated Chief Economist to monitor global and local market conditions. • Diversifying revenue through expansion into logical international and ancillary products and services. • Cost management and efficiency programs. • Stress testing and scenario analysis of our financials for strategic initiatives.
	Australian market structure and interoperability Interoperability refers to the ability of different ELNOs to communicate with each other to complete a property transaction. Interoperability may subject PEXA to additional risks, including operational disruption, additional implementation costs, and introduce new competition risks, and cyber security risks to PEXA.	• PEXA is playing a constructive role in the interoperability reform, focussed on ensuring continuity of secure and stable e-conveyancing services for our customers. • PEXA is continuing to assist the Australian Registrars National Electronic Conveyancing Council (ARNECC) in the development of the new regulatory framework by engaging in ongoing industry working groups and stakeholder forums and by responding to industry reform proposals. • PEXA is also advocating for a review of the interoperability reform and industry structure to ensure that the e-conveyancing industry is developed in the best interests of consumers, customers and other key stakeholders.
	Inability to scale the UK Ability to build sustainable scale in the UK to meet our growth extension objectives.	• Oversight from a dedicated UK Board comprised of key executives and independent directors. • Comprehensive product roadmap with feature-level prioritisation based on detailed analysis of market needs. • Strategic plan to leverage the acquisition of Optima Legal to accelerate distribution capability in UK and continue strong stakeholder engagement. • Implementation plan with key deliverables and result expectations in place.

Category	Risk	Mitigation strategies
Market and competition continued	**Product development and go-to market** PEXA's investment and development of digital products and services do not meet growth, customer and revenue expectations.	• Governance of products and pricing established through management committees supported by operating rhythms to respond to customers efficiently and effectively. • Dedicated customer function focusing on key customer segments to strengthen and deepen our existing business and support PEXA's growth. • Maintain strong lines of communications open with all customer segments as they evolve. • Strong focus on innovation across the Group to develop products that meet our customers needs.
Technology	**Increasing Cyber Security and resilience threats to critical systems and platforms** A material cyber security event or system failure could result in system outages or disclosure of sensitive information or both which could result in the loss of customers, revenue and result in the group incurring additional costs.	• Governance and oversight through established Cyber Security and Fraud Risk Advisory Committee, Management Risk and Compliance Committee and the Board Audit & Risk Committee. • Use of best practice high availability Platform as A Service. • Best practice tools and processes to provide multiple level of defence against cyber threats. • Security and privacy awareness programs, formalised training, and regular cyber incident scenario exercises. • Third party supplier risk management framework in place. • Ecosystem uplift of cyber security practices through training, knowledge sharing, benchmark and advocacy. • Independent assurance program in place including Internal Audit, regular penetration testing, SOC2, and ISO 27001.
	Industry technology disruption of PEXA products and services Emerging and improvements in technologies and/or external disruption such as market trends, regulations, customers, technology could erode PEXA's value proposition resulting in a loss of market share, and loss of revenue.	• Dedicated strategy and technology teams to develop and implement strategic partnerships. • Continue to learn and experiment with emerging technologies including blockchain and AI. • Maintain strong lines of communications with customer segments to understand how their needs evolve. • Engagement with suppliers on market trends and opportunities.
Regulation, governance, and control	**Evolving regulatory landscape** PEXA operates within a complex and evolving regulatory environment. Changes to laws and regulations can expose PEXA to additional risk, including impacts to revenue (customer pricing) and additional costs the Group.	• PEXA has a dedicated team led by a Chief Legal and Governance Officer which participates across a range of policy and implementation forums, working with regulators to identify issues and shape solutions. • Regular oversight over our compliance obligations and risks by the Management Risk and Compliance Committee and the Board Audit & Risk Committee. • PEXA regularly makes formal submissions and participates in working groups to contribute and optimise outcomes for our customers, their clients and our shareholders. • Data and ethical governance in place to oversee the ethical and responsible use of data.

Category	Risk	Mitigation strategies
People and ESG	**Social and environmental** Failure to meet our commitments to a sustainable, community and social-based organisation.	• Regular oversight over ESG initiatives and risks by the Management Risk and Compliance Committee and the Board Audit & Risk Committee. • ESG framework established including the creation of a Carbon Management Plan outlining steps to reduce PEXA's carbon footprint. • Diversity and inclusion policy and management committee in place to drive inclusion and belonging. • Continuing the support of our community partnerships.
	Access to talent Inability to attract and retain the talent required to deliver the Group strategy and goals.	• Market-leading employee value proposition including flexible work policies and development opportunities. • Regular surveys in place to collect feedback from staff on engagement, diversity and inclusion with targets in place. • Future workforce plan to ensure we have the skills required to deliver the strategy. • Leadership programs to support our leaders to drive growth and high performance. • Succession planning for key roles in place.

4. Review of Operations

This commentary is designed to help shareholders understand PEXA's business performance and the factors underlying its results and financial position. This commentary should be read in conjunction with the financial statements and the accompanying notes.

The period of commentary covers from 1 July 2022 to 30 June 2023 (FY23), including the comparative prior year period.

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 Group. The non-IFRS financial information does not have standardised meanings prescribed by Australian Accounting Standards.

4.1 Overview of Financial Results

The PEXA Exchange proved resilient in FY23 while facing into a challenging economic environment. Following a significant increase in cash rates by the Reserve Bank of Australia, PEXA Exchange saw a 10% drop in property transactions within the Australian market, relative to the record 'post-COVID-19 year' in FY22. Remortgage volumes in the UK market also declined sharply from the beginning of 2H23.

Management responded to these challenges by taking actions to execute CPI-linked price increases, lift market share and implement efficiency initiatives to reduce costs. This enabled the Group to continue to invest for growth and revenue diversification though PEXA Digital Growth and PEXA International.

Group revenue increased on the prior year. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation), NPAT (Net Profit After Tax) and NPATA (Net Profit After Tax and after adding back the non-cash tax-effected Amortisation of acquired intangible assets) all declined in FY23. This was mainly due to the impact of the slowing Australian property market on the Exchange segment, partially offset by the net effect of mitigating management actions outlined above, combined with the start-up investments in new businesses in the International and PEXA Digital Growth operating segments.

Table 1 contains a high-level view of PEXA's FY23 financial results. A detailed analysis of this performance is provided in the sections following.

Table 1: Group Financial Results

A$M; Year ended 30 June	FY23	FY22	v FY22	
Revenue	281.7	279.8	1.9	1%
Business Revenue[1]	283.4	279.8	3.6	1%
Operating EBITDA	98.7	133.0	(34.3)	(26%)
EBITDA	80.2	107.1	(26.8)	(25%)
PBT	(3.2)	32.9	(36.1)	(110%)
NPAT	(21.8)	21.9	(43.7)	n.m
NPATA	17.6	61.2	(43.6)	(71%)

4.1.1 NPAT Result

The Group reported a statutory loss after tax of $21.8 million for the year ended 30 June 2023, down $43.7 million from the $21.9 million profit recorded in the previous year. The movement was driven by an EBITDA decrease of $26.8 million alongside higher levels of depreciation and amortisation and tax expense. The drivers behind these movements are explained in the following sections:

- Business revenue and cost of sales movements are explained in section 4.1.3 and 4.2.
- Expense movements are explained in sections 4.3, 4.4 and 4.5.
- Items below EBITDA are explained in section 4.6.

4.1.2 NPATA Result

NPATA adjusts for the large amount of non-cash amortisation of acquired intangibles[2] that is reflected in NPAT. NPATA was $17.6 million in FY23, down $43.6 million (71%) from the FY22 result of $61.2 million. Like NPAT, the driver of the lower NPATA result for FY23 was primarily lower EBITDA, alongside higher levels of depreciation and amortisation and tax expense.

4.1.3 Group Business Revenue, Cost of Sales, and Gross Profit

Table 2: Group Business Revenue, Cost of Sales, and Gross Profit

A$M; Year ended 30 June	FY23	FY22	v FY22	
Business Revenue[1]	283.4	279.8	3.6	1%
Cost of Sales	(34.8)	(34.5)	(0.2)	(1%)
Gross profit	**248.6**	**245.3**	**3.3**	**1%**
Gross margin %	*87.7%*	*87.7%*	*0.1%*	

PEXA's FY23 gross profit grew 1% from FY22, driven by a 1% increase in business revenue, partially offset by a 1% increase in cost of sales.

1. Business Revenue includes $1.7 million of interest income earned in connection with Optima's revenues, which is not included in IFRS statutory revenue, but instead is included in interest income in the Statement of Comprehensive Income.
2. These intangibles predominantly arose due to the uplift in asset values following the change in ownership of PEXA in January 2019.

4.2 Gross Profit by Segment

The $3.3 million (1%) growth (shown in table 2) in gross profit was made up of a $8.9 million increase in the Digital Growth segment and a $8.0 million increase in the International segment, offset by a $13.6 million decrease in the Exchange segment. Drivers of these movements are described below.

Table 3: Gross Profit by Segment

A$M; Year ended 30 June	FY23	FY22	v FY22	
Exchange business revenue	263.1	278.5	(15.5)	(6%)
Exchange cost of sales	(32.0)	(33.9)	1.9	5%
Exchange gross profit	**231.0**	**244.6**	**(13.6)**	**(6%)**
Exchange gross margin	*87.8%*	*87.8%*	*(0.0%)*	
Digital Growth business revenue	11.6	1.3	10.3	793%
Digital Growth cost of sales	(2.0)	(0.6)	(1.4)	(219%)
Digital Growth gross profit	**9.6**	**0.7**	**8.9**	**n.m**
Digital Growth gross margin	*82.9%*	*52.1%*	*30.8%*	
International business revenue[1]	8.7	–	8.7	n.m
International cost of sales	(0.7)	–	(0.7)	n.m
International gross profit	**8.0**	–	**8.0**	**n.m**
International gross margin	*91.6%*	*0.0%*	*n.m*	

1. Business Revenue includes $1.7 million of interest income earned in connection with Optima's revenues, which is not included in IFRS statutory revenue, but instead is included in interest income in the Statement of Comprehensive Income.

4.2.1 PEXA Exchange segment business revenue and gross margin

PEXA Exchange FY23 business revenue decreased 6% from FY22, driven by:

- Market volumes decreasing by 0.48 million transactions, or 10%, from 4.72 million in FY22 to 4.25 million in FY23, which equates to a decrease in revenues of $27.9 million.
- PEXA Exchange's market share increasing by 2% of the total addressable market, resulting in 3.75 million PEXA Exchange transactions completed in FY23, a decrease of 0.30 million on the 4.05 million PEXA Exchange transactions in FY22. This equates to a revenue increase of $6.8 million.
- Average revenue per PEXA Exchange transaction increasing from $68.3 in FY22 to $69.7 in FY23 (2%), which equates to a revenue increase of $5.8 million. This reflects a revenue uplift of $13.5 million, driven by a 5% increase in prices for each transaction, offset by the $7.8 million (-3%) effect of shift in mix from higher-priced Transfers to lower-priced Refinances.

The decrease in Exchange cost of sales of $1.9 million, or 5%, from $33.9 million in FY22 to $32.0 million in FY23, was driven by the decrease in PEXA Exchange transaction volume during the period. This resulted in the Exchange gross profit decreasing in line with business revenue, down 6% from $244.6 million in FY22 to $231.0 million in FY23, and Exchange gross margin remained at 87.8% in FY23.

4.2.2 PEXA Digital Growth segment business revenue and gross margin

PEXA Digital Growth's business revenue increased by $10.3 million in FY23, driven by:

- Organic revenue growth of $2.1 million (161%), from $1.3 million in FY22 to $3.4 million in FY23, driven by new products sold to property ecosystem partners.
- $8.2 million in revenue from .id, acquired in September 2022.

The increase in Digital Growth cost of sales of $1.4 million, from $0.6 million in FY22 to $2.0 million in FY23, was driven by additional costs of sales from .id. This resulted in the Digital Growth gross profit increasing by $8.9 million from $0.7 million in FY22 to $9.6 million in FY23, and Digital Growth gross margin growing from 52.1% in FY22 to 82.9% in FY23.

4.2.3 PEXA International segment business revenue and gross margin

PEXA International's business revenue increased by $8.7 million in FY23, driven by the acquisition of Optima Legal in December 2022. Optima's revenue includes $1.7 million of interest income earned in connection with Optima's revenues, which is not included in IFRS statutory revenue, but instead is included in interest income in the Statement of Comprehensive Income. The Optima Legal acquisition also drove the increases in International cost of sales and gross margin, which grew to $8.0 million in FY23, with a gross margin of 91.6%.

4.3 Operating Expenses

Table 4: Operating Expenses by Segment

A$M; Year ended 30 June	FY23	FY22	v FY22	
Exchange	(89.9)	(92.6)	2.6	3%
Digital Growth	(25.4)	(7.5)	(17.9)	(238%)
International	(34.6)	(12.2)	(22.4)	(184%)
Total Operating Expenses	**(149.9)**	**(112.3)**	**(37.7)**	**(34%)**

PEXA's FY23 operating expenses were $37.7 million (34%) higher than FY22, driven by a $17.9 million increase in the Digital Growth segment and a $22.4 million increase in the International segment, partially offset by a $2.6 million (3%) decrease in the Exchange segment.

4.3.1 PEXA Exchange segment operating expenses

Table 5: PEXA Exchange operating expenses

A$M; Year ended 30 June	FY23	FY22	v FY22	
Employee expenses	(53.0)	(55.1)	2.1	4%
Computer expenses	(17.1)	(16.0)	(1.1)	(7%)
Sales/Travel/General and admin expenses	(19.8)	(21.4)	1.6	8%
Operating Expenses	**(89.9)**	**(92.6)**	**2.6**	**3%**

PEXA Exchange segment FY23 operating expenses decreased 3% from FY22, driven by:

- Employee expenses decreased by $2.1 million, or 4%, from $55.1 million in FY22 to $53.0 million in FY23, primarily due to continued focus on efficiency in Exchange processes and procedures.
- Computer expenses increased by $1.1 million, or 7%, from $16.0 million in FY22 to $17.1 million in FY23, due to increased spend with external technology providers such as Accenture and AWS.
- Sales, travel and general and administration expenses decreased by $1.6 million, or 8%, from $21.4 million in FY22 to $19.8 million in FY23, again driven by a focus on the efficient operation of the Australian Exchange business.

4.3.2 PEXA Digital Growth operating expenses

Table 6: PEXA Digital Growth operating expenses

A$M; Year ended 30 June	FY23	FY22	v FY22	
Organic operating expenses	(17.8)	(7.5)	(10.3)	(137%)
.id operating expenses	(6.6)	–	(6.6)	n.m
Value Australia operating expenses	(1.0)	–	(1.0)	n.m
Operating Expenses	**(25.4)**	**(7.5)**	**(17.9)**	**(238%)**

PEXA Digital Growth segment operating expenses increased by $17.9 million (238%) in FY23, driven by:

- Organic operating expense growth of $10.3 million (137%), from $7.5 million in FY22 to $17.8 million in FY23. This was driven by an investment in employees and data to drive future organic revenue, increased risk and compliance costs,as well as increased costs related to Group services and inflation related impacts, partially offset by efficiency initiatives.
- $6.6 million operating expenses from .id, acquired in September 2022.
- $1.0 million operating expenses from Value Australia, acquired in July 2022.

4.3.3 PEXA International segment operating expenses

Table 7: PEXA International operating expenses

A$M; Year ended 30 June	FY23	FY22	v FY22	
Organic operating expenses	(20.5)	(12.2)	(8.3)	(68%)
Optima Legal operating expenses	(14.1)	–	(14.1)	n.m
Operating Expenses	**(34.6)**	**(12.2)**	**(22.4)**	**(184%)**

PEXA International segment operating expenses increased by $22.4 million (184%) in FY23, driven by:

- Organic operating expense growth of $8.3 million (68%), from $12.2 million in FY22 to $20.5 million in FY23. This was predominantly driven by investment in employees to support the launch of the remortgage product in FY23 and sales and purchase products in the future.
- $14.1 million operating expenses from Optima Legal, acquired in December 2022, including $0.8 million of integration costs.

4.4 Operating EBITDA

Table 8: Operating EBITDA

A$M; Year ended 30 June	FY23	FY22	vFY22	
Gross Profit	248.6	245.3	3.4	1%
Operating Expenses	(149.9)	(112.3)	(37.7)	(34%)
Group Operating EBITDA	**98.7**	**133.0**	**(34.3)**	**(26%)**
Group Operating EBITDA Margin	***34.8%***	***47.5%***	***(12.7%)***	
Exchange Operating EBITDA	141.1	152.1	(10.9)	(7%)
Digital Growth Operating EBITDA	(15.8)	(6.8)	(9.0)	131%
International Operating EBITDA	(26.6)	(12.2)	(14.4)	118%
Exchange Operating EBITDA Margin	*53.6%*	*54.6%*	*(1.0%)*	

In addition to EBITDA (see section 1.7), PEXA also reports Operating EBITDA and Operating EBITDA margin, as management considers that Operating EBITDA and Operating EBITDA margin better reflect the operating performance and cash generation potential of PEXA business prior to the impact of certain specified and non-operating costs.

PEXA's FY23 Operating EBITDA was $98.7 million, down 26% against the FY22 result, reflecting 1% gross profit growth (see section 4.1.3) combined with a 34% growth in operating expenses (see section 4.3).

This resulted in a year-on-year decline in Operating Margin (Operating EBITDA as a percentage of revenue) of 12.7 percentage points to 34.8%.

The Operating EBITDA margin in the PEXA Exchange segment was 53.6% in FY23, down 1.0 percentage point from FY22. This was driven by a 6% decline in gross profit (see section 4.2) partially offset by a 3% reduction in operating expenses (see section 4.3.1).

4.5 EBITDA and specified items

Table 9: EBITDA and Specified Items

A$M; Year ended 30 June	FY23	FY22	v FY22	
Operating EBITDA	**98.7**	**133.0**	**(34.3)**	**(26%)**
Non-recurring expenses	(12.1)	(25.4)	13.2	52%
M&A-related costs	(6.2)	—	(6.2)	n.m
Other	(0.2)	(0.6)	0.4	72%
Total specified items	(18.5)	(25.9)	7.5	29%
EBITDA	**80.2**	**107.1**	**(26.8)**	**(25%)**

PEXA's FY23 EBITDA was $80.2 million, down $26.8 million (25%) against the FY22 result.

The decrease from FY22 reflects a $34.3 million (26%) decline in PEXA Operating EBITDA (see section 4.4) partially offset by a $7.5 million (29%) decline in specified items.

Non-recurring expenses declined by $13.2 million, from $25.4 million in FY22 to $12.1 million in FY23. The FY22 costs related to the July 2021 IPO. The FY23 costs were a combination of one-off Optima Legal integration costs ($5.2 million), redundancy and restructuring costs ($1.4 million), one-off consulting costs relating to future strategic planning ($3.0 million) and other non-recurring expenses.

M&A related costs of $6.2 million were the costs of due diligence for the acquisitions during FY23 (Optima Legal, .id and Value Australia) as well as due diligence costs on potential investments which did not proceed.

Other non-operating expenses include the share of losses of associates, deferred consideration on the .id acquisition and unrealised FX gains/losses on intercompany balances.

4.6 Other Expenses below EBITDA

Table 10: Other Expenses below EBITDA

A$M; Year ended 30 June	FY23	FY22	v FY22	
EBITDA	**80.2**	**107.1**	**(26.8)**	**(25%)**
Depreciation	(2.6)	(2.5)	(0.2)	(8%)
Amortisation	(17.9)	(9.7)	(8.1)	(83%)
EBITA	**59.8**	**94.9**	**(35.2)**	**(37%)**
Acquired amortisation[1]	(56.3)	(56.2)	(0.1)	(0%)
EBIT	**3.5**	**38.7**	**(35.3)**	**(91%)**
Net finance income/(expense)	(6.6)	(5.8)	(0.8)	(14%)
NPBT	**(3.2)**	**32.9**	**(36.1)**	n.m
Income tax benefit/(expense)	(18.7)	(11.1)	(7.6)	(69%)
NPAT	**(21.8)**	**21.9**	**(43.7)**	**n.m**

1. Acquired amortisation relates to historical Intangibles which predominantly arose due to the uplift in asset values following the change in ownership of PEXA in January 2019. It does not include the impacts from recent acquisitions.

Depreciation was $0.2 million or 8% higher than FY22, driven mainly by leasehold improvements and the impact of acquisitions through the year.

Amortisation increased by $8.1 million, or 83%, from FY22, due to increased levels of amortisation in Digital Growth and International segments combined with the impact from acquisitions.

Amortisation of acquired intangibles was in line with FY22.

Net finance expense was $6.6 million in FY23 compared to $5.8 million in FY22. The increased interest expense on PEXA's external debt was partially offset by higher interest generated on the PEXA Exchange Source Account.

Income tax expense of $18.7 million was up $7.6 million from FY22 due to the derecognition of a $16.9 million deferred tax asset (relating to R&D tax offsets), following Link Group's in-specie distribution of its PEXA shares in January 2023.

4.7. Balance Sheet

Table 11: Summary Balance Sheet

A$M; As at	30 Jun 23	30 Jun 22
Current assets		
Cash and cash equivalents	36.5	75.4
Other current assets	45.8	42.9
Total current assets	**82.3**	**118.3**
Non-current assets		
Intangible assets and goodwill	1,550.9	1,500.0
Other non-current assets	50.0	44.0
Total non-current assets	**1,600.9**	**1,544.0**
Total assets	**1,683.2**	**1,662.3**
Current liabilities		
Trade and other payables	(56.8)	(49.5)
Other current liabilities	(16.3)	(8.6)
Total current liabilities	**(73.1)**	**(58.1)**
Non-current liabilities		
Borrowings	(298.7)	(298.0)
Other non-current liabilities	(69.4)	(41.5)
Total non-current liabilities	**(368.2)**	**(339.4)**
Total liabilities	**(441.3)**	**(397.6)**
Net assets	**1,241.9**	**1,264.7**
Equity		
Contributed equity	1,267.6	1,268.4
Reserves	2.1	8.5
Accumulated losses	(27.7)	(12.1)
Total equity	**1,241.9**	**1,264.7**

The movements in the audited statutory FY23 and FY22 balances are as follows:

- The cash balance decreased by $38.9 million predominately due to the business' ongoing investment in in-house software across its three operating segments (outflows of $65.1 million), combined with investments and acquisitions made during the year, including Optima Legal, .id and Value Australia (outflows of $52.1 million), partially offset by strong operating cash flows during the year ($89.1 million).
- The net current asset position (current assets less current liabilities) is $9.2 million positive at 30 June 2023. It is lower than 30 June 2022 due to the reduction in the cash balance noted above.
- Intangible assets have increased in FY23 due to continued investment in the Group's operating segments, combined with the acquisition of Optima Legal, .id and Value Australia during the year.
- External debt of $300 million (less $1.3 million of debt raising fees) was put in place on 30 June 2021, and matures in June 2025.

4.8 Cash flow

Table 12: Cash flow (Non-IFRS)

A$M; Year ended 30 June	FY23	FY22	v FY22	
EBITDA	**80.2**	**107.1**	**(26.8)**	**(25%)**
Non-cash items in EBITDA	2.1	2.6	(0.4)	n.m
Changes in working capital	6.7	(14.6)	21.3	n.m
Operating cash flow before capex	**89.1**	**95.1**	**(6.0)**	**(6%)**
Investment in in-house software	(65.1)	(48.6)	(16.5)	34%
Investment in PP&E	(2.3)	(1.4)	(0.9)	64%
Free cash flow before financing, tax and M&A	**21.8**	**45.0**	**(23.3)**	**(52%)**
Interest received	8.4	0.5	7.9	n.m
Interest paid	(14.2)	(5.8)	(8.4)	144%
Payment of finance lease liabilities	(1.9)	(1.7)	(0.1)	6%
Free cash flow	**14.0**	**38.0**	**(24.0)**	**(63%)**
Investments and Acquisitions	(52.1)	(30.7)	(21.4)	70%
Equity raising and IPO financing	(1.1)	16.8	(17.8)	(106%)
Net cash flow	**(39.2)**	**24.1**	**(63.3)**	**(263%)**
Net cash flow (after FX)	*(38.9)*	*(23.8)*	*(62.7)*	*(263%)*
FCF conversion (before financing, tax and M&A)	*27%*	*42%*	*(15%)*	

Operating cash flow decreased by $6.0 million, or 6%, from FY22, driven by lower EBITDA as noted above, partially offset by positive movements in net working capital. The net working capital movements were mainly driven by the timing of certain IPO-related payments in FY22.

Free cash flow before financing, tax and M&A decreased by $23.3 million, or 52%, from FY22, and higher capital expenditure in the various operating segments, partially offset by changes in working capital during the period.

The majority of capital expenditure was related to the development of in-house software, which made up $65.1 million of $67.4 million total capital expenditure in FY23 (97%) and which accounted for $16.5 million of the $17.4 million capital expenditure growth year on year. It includes in-house software developed for the Exchange, International and Digital Growth segments of the Group.

Net interest paid was broadly in line with FY22, with the increase in interest paid on external debt largely offset by interest received on the PEXA Exchange Source Account.

This resulted in a free cash flow of $14.0 million in FY23, down $24.0 million (63%) from FY22.

4.9 Debt Levels

Table 13: Net debt

A$M; Year ended 30 June	FY23	FY22	v FY22
Interest bearing loans and borrowings	298.7	298.0	0%
Cash and cash equivalents	(36.5)	(75.4)	(52%)
Net debt	**262.2**	**222.6**	**18%**
Net debt/ Group Operating EBITDA	*2.66x*	*1.67x*	*(0.98x)*
Net debt/ Exchange Operating EBITDA	*1.86x*	*1.46x*	*(0.39x)*

Net debt to Operating EBITDA ratio was 2.66x at 30 June 2023, compared to 1.67x at 30 June 2022, due to an 18% increase in net debt and a 26% decrease in Operating EBITDA (see section 4.4). The reduction in net debt reflected the $38.9 million decrease in cash balance.

Net debt to Exchange Operating EBITDA ratio was 1.86x at 30 June 2023, compared to 1.46x at 30 June 2022, due to the decline in Exchange EBITDA, and Group cash balances, as detailed above.

5. Future Developments

In line with the Group's business model and strategy, outlined above, the Group will continue to grow and optimise the PEXA Exchange, while continuing to invest in both PEXA International and PEXA Digital Growth, as the Group seeks to deliver on PEXA's vision to be an international leader in digital property settlements. The Group will continue 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.

Dividends

No dividends were paid or declared during the year (2022: 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.

Performance Rights

As at the date of this report and at the reporting date, there were 510,013 (2022 - 167,301) unissued ordinary shares under performance rights. Refer to the remuneration report for further details of the performance rights outstanding for Key Management Personnel (KMP).

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

Directors' Report continued

Matters subsequent to the end of the year

Land Insight and Resources Holdings Pty Ltd acquisition

On 3 July 2023, the Group acquired 100% of the issued share capital of Land Insight and Resources Holdings Pty Ltd (Land Insight) for circa $2 million and various earn out arrangements depending on performance. Land Insight offers comprehensive environmental risk information at a property level, Australia-wide. The business sells reports and data that enable government entities and corporations to quantify and evaluate the risk of natural hazards, pollution, and ground hazards in relation to land and property, helping them to identify, prepare, and plan for disasters. The acquisition strengthens the Group's offering in the value and use of land segment of the property information market, as well as accelerating the Group's proposition in the growing climate resilience solutions market. This acquisition was funded from the Group's existing cash reserves. The accounting treatment for this acquisition is ongoing at the date of the financial statements and additional disclosure will be provided during the year ending 30 June 2024.

No other event or circumstance has arisen since 30 June 2023 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 of PEXA Group Limited and its subsidiaries, the CEO 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.

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 auditors firm'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 28 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 2023 has been received and can be found on page 73.

Proceedings on Behalf of Group

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

Signed in accordance with a resolution of the Directors.

Mark Joiner
Chairperson

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 2023 (FY23).

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, performance, and reward.

The Board is committed to upholding a Remuneration Framework that meets shareholders' expectations and requirements and at the same time encourages Executive KMP to deliver sustainable and improved performance.

In FY23, the PEXA Group faced a challenging economic environment, with a 10% drop in property transactions within the Australian market, combined with inflationary pressures both in Australia and internationally. Management responded to these challenges taking actions to increase pricing, improve market share and implement efficiency initiatives to reduce costs, while also continuing to invest for the future through PEXA International and PEXA Digital Growth. This resulted in a solid FY23 performance, in particular:

- Business revenue increased by 1% to $283.4 million[1].
- PEXA Exchange gross operating margin of 87.8% and operating EBITDA margin of 53.6%, both remained relatively stable to FY22.
- PEXA International acquired Optima Legal and achieved revenues of $8.7 million[1] for FY23.
- PEXA Digital growth achieved revenues of $11.6 million, on the back of the .id acquisition, combined with organic growth.

The combination of these solid financial results and strong delivery against the Group's strategic goals for the year have resulted in Short-Term Incentive (STI) outcomes for the Executive KMP of 42.89% of maximum opportunity on average. These outcomes reflect both the economic environment the Group operated in throughout FY23, as well as the strong delivery against the Group's strategy by Executive KMP.

To achieve this the Board will ensure that our Remuneration Framework will continue to provide a strong link between reward and performance and continue to review our performance metrics and hurdles annually – to provide meaningful and robust stretch targets, year on year, for Executive KMP, in this next stage of growth for PEXA.

FY23 Remuneration Outcomes

The Board provides a summary of the remuneration outcomes for FY23 below. More detail can be found in the body of the Remuneration Report.

Fixed Remuneration

The Group MD & CEO received a 3% increase to his fixed remuneration in FY23, as did the CFO and COO. Fixed remuneration increases were provided upon completion of a robust remuneration benchmarking exercise and based on Executive KMP individual performance.

Short Term Incentives

In FY23, the Board approved a change to the Short-Term Incentive (STI) threshold and maximum opportunity for Executive KMP to ensure it was aligned with market practice.

1. Business revenue includes $1.7 million of interest income earned in connection with Optima Legal's revenues, which for management purposes is included in business revenues. Statutory revenue is $281.7 million for the Group.

Remuneration Report continued

The market aligned STI opportunity was introduced by the Board in conjunction with a mandatory STI deferral into equity as part of PEXA's Minimum Shareholding Requirement (MSR) policy (refer Section 4.6). The STI awarded to the Group MD & CEO was 43.25% of maximum, and for other Executive KMP an average of 42.7% of maximum. The STI scorecard is designed so that each objective can be assessed between 0 and 200%.

Long Term Incentives

For the FY23 Long Term Incentive (LTI), which has a performance period of three years, the decision was taken by the Board to maintain the same measures (Relative Total Shareholder Returns (TSR) and underlying EPS CAGR) but a change was made to equally weight both measures to reflect their equal importance.

Board Fees

There was no change to Board Fees in FY23.

KMP Changes

In FY23, there were several KMP changes during the year due to changes in the PEXA Executive team after a review of the PEXA Group Operating Model:

- Les Vance became a KMP after being recruited by PEXA as Chief Operating Officer (COO), with his role now Chief Customer and Commercial Officer (CC & CO);
- Simon Smith is no longer a KMP after retiring from the role of Chief Operating Officer (COO) to become PEXA's Group Advocate;
- Richard Moore is no longer a KMP after resigning as Chief Financial Officer (CFO); and
- Scott Butterworth has become a KMP upon appointment as Chief Financial and Growth Officer on 1st July 2023.

At the Board level, Jeff Smith replaced John Hawkins as an Independent Non-Executive Director effective 5 July 2023.

We trust that our Remuneration Report clearly outlines the link between PEXA's performance, Executive KMP remuneration outcomes, and the alignment with shareholder interests. As always, we welcome your feedback on our Remuneration Report and look forward to discussions with many of you over the coming year.

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

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

25 August 2023

2. Introduction

The Directors of PEXA present the Remuneration Report (the Report) for the Company and its controlled entities for the year ended 30 June 2023. 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 Key Management Personnel (KMP) who had authority and responsibility for planning, directing, and controlling the activities of the Company during the FY23 financial year, being each of the Non-Executive Directors (NEDs) and designated Executives. The use of the term "Executives" in this report is a reference to the Group Managing Director and Chief Executive Officer and certain direct reports during the FY23 financial year. Refer to Table 1 below for all individuals comprising PEXA's KMP for the FY23 financial year. All KMP held their positions for the entirety of the FY23 financial year, unless otherwise noted.

Table 1: Key Management Personnel

Name	Position	Changes (If applicable)
Non-Executive Directors		
Mark Joiner	Independent Non-Executive Chair	
Vivek Bhatia[1]	Independent Non-Executive Director	
Dr Kirstin Ferguson AM	Independent Non-Executive Director	
John Hawkins	Non-Executive Director	Ceased as KMP on 30 June 2023
Paul Rickard	Non-Executive Director and Commonwealth Bank of Australia Nominee Director	
Helen Silver AO	Independent Non-Executive Director	
Melanie Willis	Independent Non-Executive Director	
Executive Directors		
Glenn King	Group Managing Director and Chief Executive Officer (Group MD & CEO)	
Executives		
Richard Moore	Chief Financial Officer (CFO)	Ceased as KMP on 30 June 2023
Simon Smith	Chief Operations Officer (COO)	Ceased as KMP on 9 October 2022
Les Vance	Chief Customer and Commercial Officer (CC & CO)	KMP effective 10 October 2022

1. As a result of Link Group ceasing to be a substantial shareholder in PEXA from January 2023 Vivek Bhatia is considered to be an Independent Non-Executive Director.

3. FY23 Company Performance and Relationship to Reward

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

A summary of the Company's approach to Executive remuneration for the FY23 financial year, including performance conditions, and its link to the overall remuneration strategy is set out below:

Remuneration Component	Alignment to performance	Alignment to principles and strategy
Fixed Remuneration (FR) Comprises base salary and superannuation.	Set at a market competitive level in relation to the scope, complexity, capabilities, and individual performance in the role. Provides recognition for day-to-day, operational activities in the role.	Set to attract, motivate, and retain the best people to design and lead the delivery of our strategy.
Short Term Incentive (STI) Annual incentive opportunity. Delivered as 75% cash and 25% as shares under the Minimum Shareholding Requirement Plan (MSR Plan) introduced in FY23.	Performance assessed using: • Group balanced scorecard (70%) • Individual measures (30%) aligned to strategy. 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.	Linked to the Company's key strategic priorities which directly contribute towards the execution of long-term strategy each year. The 25% of the award that is deferred into equity supports Executives' alignment with shareholder interests.
Long Term Incentive (LTI) Three-year incentive opportunity delivered through 100% performance rights.	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. • EPS CAGR (50%) • Relative TSR (50%).	Targeting profitable and sustained growth in shareholder wealth creation. The three-year vesting period encourages consideration of long-term decision making and value creation, as well as operating as a retention tool. With a significant portion of potential remuneration based on PEXA equity, the Board provides alignment between the interests of Executive KMPs with the interests of its shareholders.

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 the last 3 financial years.

Table 2: Company Earnings and Share Price

Company Performance	2023	2022	2021
Revenue ($'000)	281,688	279,839	221,046
Profit/Loss before tax ($'000)	(3,164)	32,920	(8,902)
Profit/Loss after tax ($'000)	(21,840)	21,851	(11,787)
Basic earnings per share (cents)	(12.32)	12.32	(8.54)
NPATA earnings per share (cents)	9.93	34.46	20.13
Diluted earnings per share (cents)	(12.32)	12.32	(8.54)
Dividends per share – paid during financial year (cents)	—	—	—
Share price on 30 June ($)[1]	13.61	13.89	N/A

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

3.1. FY23 Executive KMP Remuneration Outcomes

Fixed Remuneration (FR)

The Group MD & CEO received a 3% increase to his FR for FY23, as did the CFO and COO (with the CC & CO joining in FY23 he received no increase). Fixed remuneration increases were provided upon completion of a robust remuneration benchmarking exercise and based on Executive KMP individual performance.

Short Term Incentive (STI)

Market benchmarking against peer companies was completed in FY23. This benchmarking showed PEXA to be below market in both target and maximum STI opportunity for Executive KMP.

Accordingly, the Board approved moving Executive KMP STI opportunity to a market-aligned structure. This structure introduced an at-target STI opportunity and an STI deferral in equity with the introduction of a MSR policy by the Board.

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

The table below provides the Executive KMP remuneration structure in FY23.

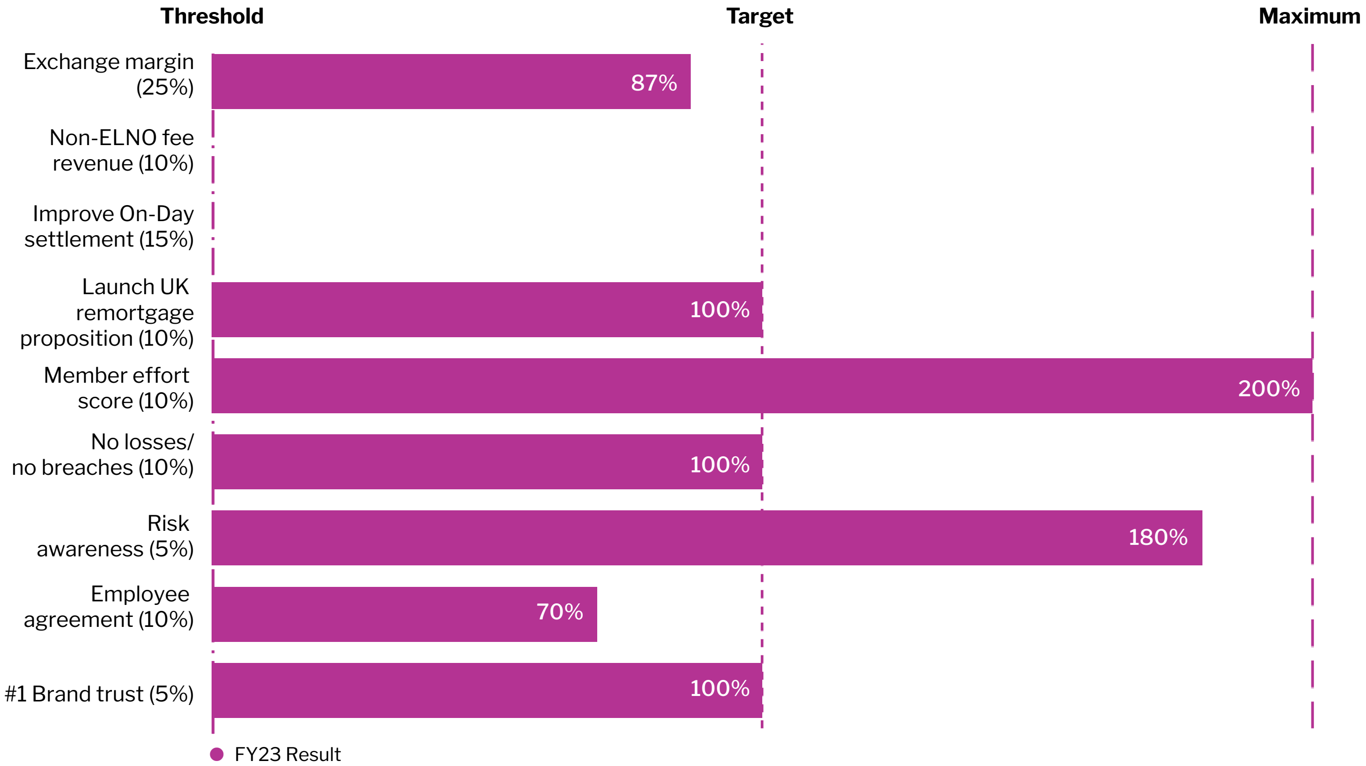
Table 3: Executive KMP Remuneration Structure

Position	Fixed Remuneration (FR)	At-target STI as % of FR	Maximum STI as % of FR
Group MD & CEO	$952,750	50%	100%
CFO	$633,450	40%	80%
CC & CO	$700,000	40%	80%
COO[1]	$494,000	25%	50%

1. As a result of the decision to appointment Les Vance as COO (and subsequent appointment to CC & CO) Simon Smith no longer reported to the Group MD & CEO and moved from the Executive KMP STI structure to the non-executive KMP senior leader STI structure for the full FY23 year.

The following table outlines the results of the FY23 Company Scorecard that comprises 70% of an Executive KMP's STI opportunity.

Table 4: Performance Against FY23 Company Scorecard



FY23 performance against PEXA's Company Scorecard resulted in an 41.5% of maximum opportunity (or 83% of at-target opportunity), as 1 out of 2 financial measures was met and 8 out of 10 of the other company performance conditions were met.

The relevant financial and risk gateways were met for FY23.

The table below summarises the outcome on the above 70/30 weightings.

Table 5: FY23 STI Outcomes %

Position	Company (70%) Result	Individual (30%) Result	Overall Outcome as a % Maximum	% Forfeited of Maximum STI Opportunity
Group MD & CEO	58%	28.50%	43.25%	56.75%
CFO	58%	25.00%	41.50%	58.50%
CC & CO	58%	27.50%	42.63%	57.37%
COO	58%	30.00%	44.00%	56.00%

The payments that these outcomes deliver are outlined in more detail in Table 7 in Sections 3.2.

As detailed in Section 4.4, the Board and the Committee have full discretion when considering the awarding and vesting of STI opportunities to Executive KMP. The Board did not apply any discretion in FY23.

The table below provides the FY23 STI outcomes for Executive KMP as approved by the Board in July 2023.

Table 6: FY23 STI Outcomes $

Position	Total STI Earned for FY23	FY22 Deferred STI Payment	FY23 Deferred STI
Group MD & CEO[1]	$412,541	$165,598	—
CFO[1]	$210,305	$94,372	—
CC & CO[1]	$173,155	—	$43,289
COO[2]	$15,370	$64,444	—

1. As the Group MD & CEO has met his MSR holding requirement and the CFO has resigned the STI earned for FY23 will be paid 100% in cash. The shares for the CC & CO will be granted in September/October 2023 using the 10-day VWAP for the period beginning on the second trading day after the Company's financial report for FY23 is released.
2. The STI amounts for the COO represents the portion earned whilst an Executive KMP.

3.2. Realised Remuneration

In addition to Statutory remuneration included in Section 6, Realised Remuneration received by Executive KMPs in FY23 is displayed below. Realised remuneration is a non-statutory measure and includes FR, non-monetary benefits, and STI. No LTI vested in FY23. Realised Remuneration is included to complement the Statutory Remuneration disclosures to illustrate the remuneration relating to performance by Executive KMP during FY23, and how the Company's performance during the year has impacted on these amounts, particularly the STI component.

The FY23 STI earned includes the 25% (50% Group MD & CEO) required to be deferred into shares until the Executive KMP's MSR holding requirement is achieved. After the MSR holding requirement is achieved the STI is paid 100% in cash

.

Table 7: FY23 Realised Remuneration

Position	FR	Non-Monetary Benefits	FY23 STI Earned	FY22 Deferred STI Payment	FY23 Deferred STI	Total Realised Remuneration
Group MD & CEO	$952,750	$7,946	$412,541	$165,598	—	$1,538,835
CFO	$633,450	$7,946	$210,305	$94,372	—	$946,073
CC & CO	$509,743	—	$129,866	—	$43,289[1]	$682,898
COO[2]	$103,669	—	$15,354	$64,444	—	$183,467

1. This amount will be used to acquire shares in order that Les Vance can begin meeting his MSR holding requirement. The other Executive KMP have either met their MSR holding requirement or in the case of Simon Smith, no longer have an MSR holding requirement. Details of the MSR policy can be found in Section 4.6.
2. The COO's FY23 remuneration outcomes reflect his period as an Executive KMP and his FTE being 0.8 for this period.

4. Executive Remuneration

PEXA is a rapidly evolving platform business which leverages its intellectual property and partnerships to transform the ways in which people can connect to place. The Exchange has developed rapidly in recent years. However, it is now expected to grow in line with the broader economy. To ensure further growth PEXA is looking for other forms of revenue growth that align with its purpose. The strategy to achieve is centred on four imperatives:

1. Enhancing the core exchange in Australia, building deeper market share and customer relationships;
2. Extending our Australian services and business by leveraging our unique position, data, distribution, orchestration, and partnership assets to provide digital solutions to property market stakeholders;
3. Expanding our footprint to offer property exchange and related services in other Torrens Title jurisdictions, starting with the UK whilst evaluating other markets; and
4. Evolving the Group's workforce and its enabling functions (technology, finance, risk, PX) to support our continued growth.

4.1. Key Remuneration Principles

PEXA's remuneration principles, policy, and philosophy

The Board believes that the structure, design and mix of remuneration should, through the alignment of shareholders' interests with those of a motivated and talented Executive KMP group, provides 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:

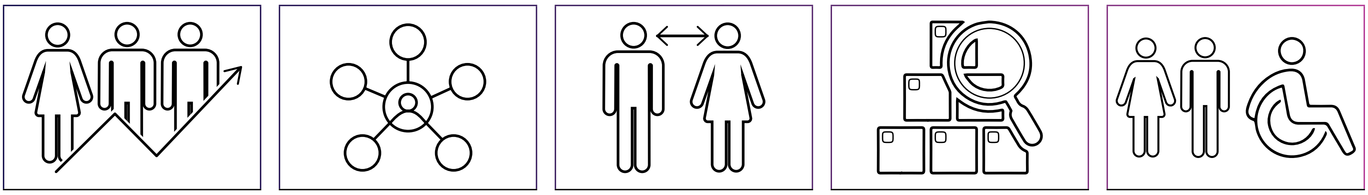
- Industry trends and developments, as well as Executive KMP remuneration and good governance practices; and
- Feedback from engagement with shareholders and other stakeholders.

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.

Figure 1 outlines the remuneration principles aligned with the PEXA Strategy and Values and reflects market practice.

Figure 1: Remuneration Principles



Performance	Market Competitive	Transparent and Consistent	Commercial Responsibility	Diversity
Drive a culture where we are "all in it together". Financial rewards are directly linked to company and employee performance and behaviour	Provide a market competitive remuneration to attract, motivate and retain highly skilled employees	Remuneration outcomes that create internal equity to ensure employees performing at similar roles are positioned with the appropriate PEXA remuneration band	Outcomes that reflect commercially responsible pay decision	Ensure that all reward decisions are made free from bias and support diversity within PEXA

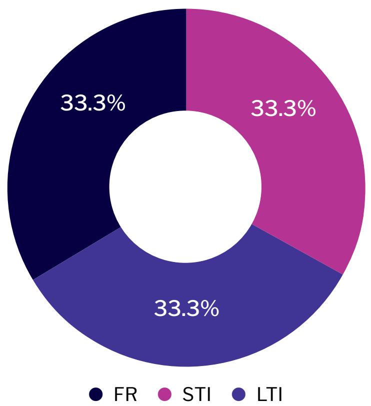
4.2. Executive Remuneration Framework

To align with its remuneration strategy, the Board's policy on Executive KMP remuneration is to comprise a FR component and an "at risk" performance-related component (both short term and long term).

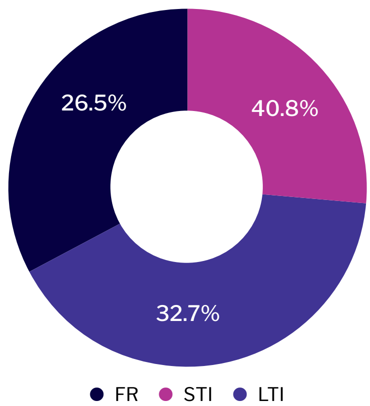
The Figure 2 below illustrates the remuneration mix at maximum outcomes for each component of PEXA's Executive KMP remuneration and Figure 3 illustrates the range of possible remuneration outcomes for the Group MD & CEO and other Executive KMP, based on threshold, target, and maximum opportunity.

Figure 2: Remuneration Mix at Maximum[1]

Mix of Pay for Group MD & CEO



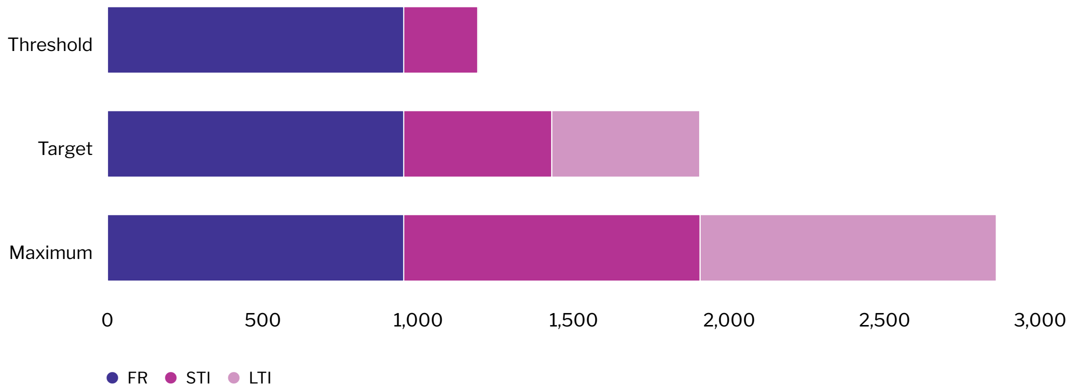
Mix of Pay for Executive KMP[2]



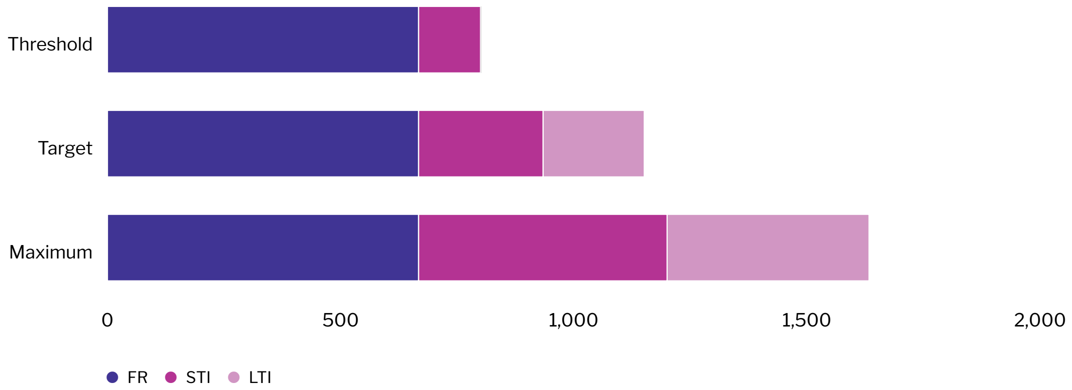
1. As a result of the decision to appoint Les Vance as COO (and subsequent appointment to CC & CO) Simon Smith no longer reported to the Group MD & CEO and moved from the Executive KMP STI structure to the non-executive KMP senior leader STI structure for the FY23 year so his data is not included in the above analysis.
2. It is an average LTIP maximum opportunity for CFO and CC & CO.

Figure 3: Range of Remuneration Outcomes

Range of Remuneration Outcomes ($'000) for Group MD & CEO



Range of Remuneration Outcomes ($'000) for other Executive KMP



4.3. Fixed Remuneration (FR)

FR is base salary, company superannuation contributions, and other salary sacrificed benefits. FR 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 FR review budget, agreed by the Board each year, is used to adjust the FR of Executive KMP to ensure that their FR remains competitive for their performance, specific skills, competence, and value to the Company.

4.4. Short-Term Incentive (STI)

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

Table 8: FY23 PEXA Executive KMP STI plan

Feature	Approach
Purpose	To reward the Executive KMP based on a high level of company and individual performance measured over the financial year.
Eligibility	Executive KMP
Opportunity as a % of FR	Group MD & CEO: 50% at-target and 100% at maximum CFO: 40% at-target and 80% at maximum CC & CO: 40% at-target and 80% at maximum
Performance period	1 year
Financial Gateway	The Exchange Margin threshold outcome must be achieved, or no amount is payable for financial component.
Risk Gateway	Executive KMP 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.
Performance measures	The STI is subject to two components of performance: **Company performance** as measured by the Company Scorecard (70% weighting) is assessed on four key strategic metrics: Finance, Customer, Risk, and People & Community; and The **individual component** (30% weighting) is based on Individual KPIs linked to the Company outcomes and business strategy. Executive KMP individual KPIs 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.
Payment	For any STI earned 75% is paid in cash and 25% deferred into shares (50% for Group CEO & MD) until an Executive KMP's MSR holding is achieved. After the MSR holding requirement is met 100% of the STI is paid in cash.
Board discretion	The Board reserves full discretion regarding any STI payments based on holistic factors in relation to the business.
Malus, clawback, and adjustment	Provisions for both Malus and Clawback have been included in the STI plan rules that govern the running of this plan.
Treatment on termination	The shares held as part of the MSR holding are available to the Executive KMP on termination of employment.

4.5. Long-Term Incentive (LTI)

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

Table 9: FY23 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
Maximum Opportunity as a % of FR	Group MD & CEO 100% CFO 60% CC & CO 70%
Performance period	3 years
Performance measures	The LTI is assessed against two independent performance targets: • EPS Compound Annual Growth Rate (EPS CAGR); and • Relative Total Shareholder Return (rTSR). **EPS CAGR performance hurdle – 50% weighting** Underlying EPS 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 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	% of Performance Rights that Vest
At or above Maximum	**100%**
Between Target and Maximum	**Pro-rata vesting from 50% to 100%**
At Target	**50%**
Below Target	**0%**

The EPS growth targets for FY22-24 LTIP were disclosed in detail as that was the first year for an equity incentive plan grant, under the plan approved in the same year. Given the growth that has already been achieved in FY22 the Board revised its EPS growth targets for the FY23-25 LTIP to create realistic incentives for the participants. Despite the EPS growth targets being revised the Board considers them to have a reasonably consistent degree of challenge as there was for FY22-24 LTIP, before there is partial or full vesting. As the EPS growth targets used for the FY23-25 LTIP are commercially sensitive the Board has chosen not to disclose them at this time. Retrospective disclosure of the outcomes against the performance levels will be provided in PEXA's remuneration report for the year in which the performance rights vest.

Feature	Approach
Performance measures (continued)	**Relative TSR (rTSR) performance hurdle – 50% weighting** The rTSR measure represents change in the PEXA share price over a three-year period and includes reinvested dividends (if applicable). The Board chose rTSR as a performance hurdle because it provides a direct measure of shareholder return. The comparator group rTSR is measured against is the **S&P/ASX200 information technology index**. The vesting schedule of the rights subject to the rTSR hurdle is as follows: (see vesting schedule table below) 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.
Grant date	For the Group MD & CEO performance rights are granted after approval at the AGM and for Executive KMP in October.
Expiry date	15 years
Exercise date	Post 30 June 2025
Payment timing	Any applicable vesting will occur around October, three years post the commencement of each tranche.
Malus and/or clawback	Provisions for both Malus and Clawback have been included in the equity plan rules that govern the running of this plan.
Board discretion	The Board also reserves full discretion regarding any LTI vesting, based on holistic factors in relation to the business.
Treatment on termination	LTI is forfeited upon notice of termination.

Company's rTSR ranking compared to Comparator Group	% of Performance Rights that Vest
At or above the 75th percentile	**100%**
Between the 50th percentile and 75th percentile	**Pro-rata vesting from 50% to 100%**
At the 50th percentile	**50%**
Below 50th percentile	**0%**

4.6. Minimum Shareholding Requirement (MSR) Policy

A key principle of the remuneration framework is to encourage Executives to behave like owners. The Board believes that the interests of all KMP should be closely aligned to those of shareholders through significant shareholdings linked to the Company's share price. For this reason, in FY23 the Board introduced a MSR structure for all non-executive directors, the Group MD & CEO, and Executive KMP. The aim of this Policy is to:

1. strengthen the alignment between the interests of directors and senior executives of the Company and the interests of shareholders;
2. encourage focus on building long-term shareholder value; and
3. by requiring directors and certain senior executives to build a minimum shareholding in the Company and maintaining it during their tenure.

Table 10: MSR Requirements

Group MD & CEO	Other Executives
100% of fixed remuneration to be attained within **5 years**	**50%** of fixed remuneration to be attained within **15-years**

No equity can be sold (LTI or deferred STI) until an employee's MSR is achieved. After this point, only LTI equity can be sold. The MSR-held STI equity remains and is impacted by market forces, as with other shareholders.

For Executive KMP there is a 15-year time horizon to attain their MSR requirement (but it will tend to be achieved within a 3-4 year period under 'normal' LTI/STI vesting scenarios). Primarily due to tax considerations after attaining their MSR holding, participants will sell down some/all their LTI-related equity.

When an Executive KMP leaves PEXA, all MSR related equity is made available and attracts tax at this point (i.e., there is no forfeiture).

The Group MD & CEO and CFO have both met their MSR holding requirement and the CC & CO will begin meeting his MSR holding requirement in FY24.

5. Non-Executive Director Remuneration

5.1. Non-Executive Director Remuneration Policy

Remuneration for Non-Executive Directors (NEDs) 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 NEDs is subject to the aggregate fee pool limit of $2 million per annum, approved as part of the IPO in July 2023. Approval will be sought for any change to the aggregate sum at a general meeting of shareholders.

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

5.2. Board Fees

The following table sets out the Board fee structure.

Table 11: Board fees (inclusive of superannuation)

Board/Committees	Chair	Member
Board	$350,000	$160,000
Audit and Risk Committee	$30,000	$17,500
Remuneration, Nomination and People Committee	$30,000	$17,500
Investment Committee[1]	$30,000	$17,500

1. The Investment Committee ceased operating after 30 June 2023. The Investment Committee was set up in FY22 at a time of reasonable inorganic growth which included several smaller acquisitions. The purpose was to assist the Board in fulfilling its responsibilities in relation to its oversight of potential mergers and acquisitions and to monitor the Company's inorganic acquisition strategy. Given where the business is now and the short to medium term strategy and business plan, the Board anticipates a lower volume of inorganic growth activity with any future acquisitions being of key strategic importance. In this context, the Board decided that the inorganic growth strategy will, in future, be overseen directly the Board.

MSR and Salary Sacrifice

As detailed in Section 4.6, in FY23 the Board introduce a MSR structure for all NEDs. The Board requires all NEDs to hold at least 100% of their annual base director's fee after 5 years.

As at 30 June 2023, Helen Silver and Paul Rickard are the only NEDs yet to meet this requirement. As a new Board member, Helen Silver is undertaking a salary sacrifice arrangement with her Board fees to meet her MSR holding requirement and Paul Rickard will continue to acquire shares to meet his MSR holding requirement, both within the 5-year time frame. To assist the NEDs in meeting this requirement, a salary sacrifice arrangement was introduced as a voluntary plan for NEDs to sacrifice 20% or more of their base director's fee, per annum, towards meeting their MSR.

The number of Share Rights received is determined by dividing the fees sacrificed by the volume weighted average price of PEXA Shares traded on the ASX over the 10-business day period up to and including 31 December or 30 June as applicable (rounded down to the nearest whole Share Right).

The share rights will vest following the announcement of PEXA's half year or full year results.

The salary sacrifice arrangements do not have clawback provisions. Details of shares under the salary sacrifice arrangement can be found in the table for Statutory Remuneration for Non-Executive Directors in Section 6.2.

6. Statutory Remuneration

6.1. Statutory Remuneration for Executive KMP

								Share Based Payments					
Position	Year	Base Salary	Super	Non-Monetary Benefits	Short-term cash bonus	Annual Leave	Long Service Leave	Shares and units	Options and rights	Cash-settled	Sign-on/ Termination payment	Total Statutory Remuneration	% of performance-based remuneration
Executive Director													
Group MD & CEO	2023	$927,458	$25,292	$7,946	$412,541	($16,706)	$17,463	—	$95,000	—	—	$1,468,994	35%
	2022	$901,432	$23,568	$6,950	$551,994	$99,483	$18,050	—	$244,058	—	—	$1,845,535	43%
Executive KMP													
CFO	2023	$608,158	$25,292	$7,946	$210,305	($15,043)	($3,056)	—	($93,989)	—	—	$739,613	16%
	2022	$588,126	$26,874	$6,950	$314,573	$21,289	$2,451	—	$93,989	—	—	$1,054,252	39%
CC & CO	2023	$490,773	$18,969	—	$129,866	$25,750	$494	$43,289	$311,477	—	—	$1,020,618	47%
	2022	—	—	—	—	—	—	—	—	—	—	—	—
Former Executive KMP													
COO	2023	$96,844	$6,825	—	$15,370	$172	$2,767	—	($7,278)	—	—	$114,700	7%
	2022	$381,672	$23,568	—	$214,812	$10,155	$1,908	—	$48,903	—	—	$681,018	39%
Total	**2023**	**$2,123,233**	**$76,378**	**$15,892**	**$768,082**	**($5,827)**	**$17,668**	**$43,289**	**$305,210**	—	—	**$3,343,925**	
	2022	**$1,871,230**	**$74,010**	**$13,900**	**$1,081,379**	**$130,927**	**$22,409**	—	**$386,950**	—	—	**$3,580,805**	

6.2. Statutory Remuneration for Non-Executive Directors

Name	Year	Base Salary	Super	Non-Monetary Benefits	Annual Leave	Share Based Payments: Bonus Shares	Share Based Payments: Matched Shares	Share Based Payments: Options and Rights	Total Statutory Remuneration
Mark Joiner[1]	2023	$350,000	–	–	–	–	–	–	$350,000
	2022	$350,000	–	–	–	–	–	–	$350,000
Vivek Bhatia[2]	2023	$169,514	$7,986	–	–	–	–	–	$177,500
	2022	$177,500	–	–	–	–	–	–	$177,500
Dr Kirstin Ferguson	2023	$187,775	$19,725	–	–	–	–	–	$207,500
	2022	$188,636	$18,864	–	–	–	–	–	$207,500
John Hawkins[3]	2023	$207,500	–	–	–	–	–	–	$207,500
	2022	$177,500	–	–	–	–	–	–	$177,500
Paul Rickard	2023	$176,471	$18,529	–	–	–	–	–	$195,000
	2022	$161,364	$16,136	–	–	–	–	–	$177,500
Helen Silver	2023	$158,138	$21,862	–	–	–	–	$45,000[4]	$225,000
	2022	$25,517	$2,551	–	–	–	–	–	$28,068
Melanie Willis	2023	$187,775	$19,725	–	–	–	–	–	$207,500
	2022	$188,636	$18,864	–	–	–	–	–	$207,500
Total	**2023**	**$1,437,173**	**$87,827**	**–**	**–**	**–**	**–**	**$45,000**	**$1,570,000**
	2022	**$1,269,153**	**$56,415**	**–**	**–**	**–**	**–**	**–**	**$1,325,568**

1. Mark Joiner has nominated that his fees from PEXA are not subject to the superannuation guarantee and so PEXA does not pay superannuation contributions.
2. During FY23 a portion of Vivek Bhatia's fees ($93,044) were paid directly to Link Property Pty Ltd.
3. John Hawkins fees are paid for his services through Somerset Services Pty Ltd.
4. This amount represents the salary sacrifice amount under the MSR in order that Helen Silver can achieve her MSR holding requirement.

7. Remuneration Governance

The Board has ensured robust governance processes are in place for remuneration matters within the Company.

BOARD

The Board takes guidance and reviews recommendations from the Remuneration, Nomination and People Committee for its decisions.

Remuneration, Nomination and People Committee

The RNPC has delegated responsibility from the Board to make recommendations on the remuneration and people strategy, performance and remuneration outcomes of executives, executive terms of employment, executive succession planning, culture, diversity and inclusion. It also makes 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.

Management

Management makes recommendations to the RNPC on people, performance and remuneration matters.

Management may attend RNPC meetings as required, however do not participate in formal discussions or decision making involving their own remuneration.

External Advisors and independence

The RNPC 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.

Other Board committees

The Audit and Risk Committee may advise the RNPC on relevant risk and reputation or relevant financial outcome matters that arise.

Further information on the purpose and duties of the Remuneration, Nomination and People Committee is contained in its Charter, which is available from the Company's investor website: https://investors.pexa.com.au/investor-centre/?page=corporate-governance

7.1. External Advisors

The Remuneration, Nomination & People Committee did not seek or receive any remuneration recommendations from external advisors in FY23.

7.2. Engagement with Shareholders

Members of the Board have proactively engaged with investors throughout the year and welcomes feedback on issues of importance to all shareholders. The Board are also active in ensuring they monitor trends in remuneration structures and expectations, as well as market practices.

7.3. Board Discretion

The Board and the Committee have absolute discretion when considering the awarding and vesting of any STI or LTI opportunities to Executive KMP. The purpose of preserving this discretion is to allow the Board to ensure remuneration levels and structure are always 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.

7.4. Securities Trading Policy

The Company's Securities Trading Policy prohibits employees in possession of non-public price sensitive information from dealing in securities or passing on the information to other people who may deal in securities. This Securities Trading Policy applies to all directors, officers, employees, contractors, consultants, and service providers of PEXA Group Limited and its subsidiaries from time to time

8. Movements in KMP Shareholdings and Rights in the Company

Movements in KMP Shareholdings

KMP	Held at 1/7/22	Shares Acquired	Shares Disposed	Held at 30/6/23
NED				
Mark Joiner	29,187	–	–	29,187
Vivek Bhatia[1]	5,837	90,098[1]	–	95,935
Dr Kirstin Ferguson	14,593	–	–	14,593
John Hawkins	5,837	413,953[1]	–	419,790
Paul Rickard	8,837	1,050[1]	–	9,887
Helen Silver[2]	–	–	–	–
Melanie Willis	14,593	–	–	14,593
Executive KMP				
Glenn King	1,155,637	–	–	1,155,637
Richard Moore	577,818	–	–	577,818
Les Vance	–	–	–	–
Former Executive KMP				
Simon Smith	105,587	71	(105,587)	71

1. For Vivek Bhatia and Paul Rickard, the full amount was from the Link Group in specie distribution. For John Hawkins 406,703 were from the Link Group in specie distribution and the balance acquired on market.
2. Under the MSR Helen Silver has sacrificed some of her annual base Board fees to receive rights to receive Shares (Share Rights). Helen was granted 3,537 Share Rights following the release of the FY23 half year results and these will vest after the end of the blackout period following the release of PEXA's FY23 full year results.

Movements in Executive KMP Performance Rights Holdings

Position	Held at 1/7/22	Granted during FY23[1]	Forfeited during FY23	Expired during FY23	Vested during FY23	Exercised during FY23	Held at 30/6/23
Executive KMP							
Group MD & CEO	58,176	63,435	–	–	–	–	121,611
CFO	22,404	25,305[2]	(47,709)	–	–	–	–
CC & CO[2]	–	58,512	–	–	–	–	58,512
Former Executive KMP							
COO	11,657	–	–	–	–	–	11,657

1. The fair value of the 60,681 EPS performance rights granted under the FY23 LTIP during the twelve months ended 30 June 2023 was $852,057 and the fair value per EPS performance right was $14.18 for the Group MD & CEO grant (19 December 2022) and $13.89 for the other Executive KMP grant (31 October 2022). The exercise price per performance right is $0. The fair value of the 60,683 TSR performance rights granted under the FY23 LTIP during the twelve months ended 30 June 2023 was $615,974 and the fair value per TSR performance right was $10.06 for the Group MD & CEO grant (19 December 2022) and $10.25 for the other Executive KMP grant (31 October 2022). The exercise price per performance right is $0. The date they may be exercised, and the performance conditions, are set out in Table 9 of Section 4.5.
2. Les Vance was granted 25,888 performance rights as a sign-on bonus on 11 November 2022. These performance rights are time based only with no performance conditions and will vest in 2 equal tranches after 1 July 2023 and 1 July 2024. The remainder were issued under the PEXA LTIP. The fair value of the 25,888 performance rights granted under the Sign-on Plan during the twelve months ended 30 June 2023 was $390,650 (or $15.09 per performance right). Les Vance will use any PRs that vest to meet his shareholding under the PEXA MSR requirements, granted under the FY23 LTI Plan during the twelve months ended 30 June 2023.

The FY22-24 and FY23-25 LTIP grants of performance rights are both for three years from 1 July 2021 and 1 July 2022, respectively, therefore, no performance rights vested or were exercised during the year. No rights are exercisable as at 30 June 2023.

9. Executive KMP Service Agreements

The following table outlines the summary terms of employment for the Group MD & CEO and other Executive KMP.

Table 12: Key Terms – Group Managing Director and Chief Executive Officer

Position	Term of Agreement	Notice by Executive	Maximum Notice by Company	Termination Benefits
Executive KMP				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.
Group MD & CEO	Open	12 months	12 months	
CFO	Open	9 months	9 months	
CC & CO	Open	6 months	6 months	
Former Executive KMP				
COO	Open	6 months	6 months	

Agreements are also in place for Executive KMP detailing the approach the PEXA will take with respect to termination payments and with respect to exercising its discretion on the vesting of Performance Rights in the event of a 'Change of Control' of the organisation.

Executive KMP are also subject to restraints which will apply upon cessation of employment to protect the business interests of PEXA. No separate amount is payable in relation to these restraints over and above the contractual entitlements outlined above.

The maximum payment on termination (including notice) is capped at 12 months fixed remuneration.

10. Other KMP Disclosures

Loans to KMP

In the year ended 30 June 2023, there were no loans to Key Management Personnel and their related parties.

Other KMP Transactions

In the year ended 30 June 2023, there were no transactions entered into during the year with Key Management Personnel (including their related parties).

AUDITOR'S INDEPENDENCE DECLARATION

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Building a better working world

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 2023, 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

C L Reid

Christopher Reid
Partner
25 August 2023

FINANCIAL STATEMENTS

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Consolidated Statement of Comprehensive Income

For the year ended 30 June 2023	Note	2023 $'000	2022 $'000
Revenue	4	281,688	279,839
Cost of sales	4	(34,767)	(34,525)
Gross profit		**246,921**	**245,314**
Product development	4	(50,604)	(37,158)
Sales and marketing	4	(44,028)	(23,582)
General and administrative	4	(76,185)	(76,602)
Depreciation and amortisation	4	(74,981)	(66,529)
Amortisation of debt raising transaction costs	4	(755)	(504)
Depreciation of right-of-use assets	15	(1,808)	(1,842)
Loss on investments		—	(300)
Unrealised foreign exchange gain/(loss)		3,719	(400)
Share of loss after tax from investments in associates	25	(1,304)	(162)
Profit before interest and tax		**975**	**38,235**
Interest income		10,083	502
Interest expense on loans and borrowings		(13,821)	(5,330)
Finance costs associated with leases	15	(401)	(487)
(Loss)/Profit before income tax		**(3,164)**	**32,920**
Income tax expense	7	(18,676)	(11,069)
(Loss)/Profit after income tax		**(21,840)**	**21,851**
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		(1,649)	175
Total comprehensive (loss)/income		**(23,489)**	**22,026**
Basic earnings per share (cents)	23	(12.32)	12.32
Diluted earnings per share (cents)	23	(12.32)	12.32

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 2023	Note	2023 $'000	2022 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	8	36,539	75,391
Trade and other receivables	9	5,701	1,442
Prepayments and other assets	10	12,846	17,323
Other financial assets	11	27,249	24,141
Total Current Assets		**82,335**	**118,297**
Non-Current Assets			
Prepayments	10	2,995	4,071
Property, plant and equipment	12	3,204	1,607
Intangible assets	13	1,550,891	1,499,965
Right-of-use assets	15	6,042	7,850
Other financial assets	14	2,807	829
Investments in associates	25	29,353	29,642
Deferred tax assets	7(d)	5,585	—
Total Non-Current Assets		**1,600,877**	**1,543,964**
Total Assets		**1,683,212**	**1,662,261**
LIABILITIES			
Current Liabilities			
Trade and other payables	17	59,402	49,499
Contract liabilities		3,840	—
Provisions	18	7,862	6,735
Lease liabilities	15	2,004	1,882
Total Current Liabilities		**73,108**	**58,116**
Non-Current Liabilities			
Provisions	19	728	693
Interest-bearing loans and borrowings	21	298,743	297,989
Lease liabilities	15	5,620	7,625
Other financial liabilities	16	3,000	—
Deferred tax liabilities	7(d)	60,065	33,137
Total Non-Current Liabilities		**368,156**	**339,444**
Total Liabilities		**441,264**	**397,560**
Net Assets		**1,241,948**	**1,264,701**
EQUITY			
Contributed equity	22	1,267,600	1,268,362
Reserves	22	2,064	8,483
Accumulated losses		(27,716)	(12,144)
Total Equity		**1,241,948**	**1,264,701**

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2023	Contributed Equity $'000	Share Based Payments Reserve $'000	Foreign Currency Translation Reserve $'000	Accumulated Losses $'000	Total $'000
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) (Note 22)	214,661	—	—	—	214,661
Equity issuance costs (net of tax) (Note 22)	(4,497)	—	—	—	(4,497)
Share based payment expense (Note 22)	—	719	—	—	719
As at 30 June 2022	**1,268,362**	**8,308**	**175**	**(12,144)**	**1,264,701**
As at 1 July 2022	**1,268,362**	**8,308**	**175**	**(12,144)**	**1,264,701**
(Loss) for the year	—	—	—	(21,840)	(21,840)
Exchange differences on translation of foreign operations	—	—	(1,649)	1	(1,648)
Transfer MEP Share Reserve (Note 22)	—	(6,267)	—	6,267	—
Transactions with owners in their capacity as owners:					
PEXA shares acquired on market for Equity plans (Note 22)	(1,063)	—	—	—	(1,063)
PEXA shares issued in relation to Equity plans (Note 22)	301	—	—	—	301
Share based payment expense (Note 22)	—	1,497	—	—	1,497
As at 30 June 2023	**1,267,600**	**3,538**	**(1,474)**	**(27,716)**	**1,241,948**

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 2023	Note	2023 $'000	2022 $'000
Cash from operating activities:			
Receipts from customers (inclusive of GST/VAT)		309,821	307,354
Interest received		10,083	502
Payments to suppliers and employees (inclusive of GST/VAT)		(222,449)	(212,257)
Interest paid on loans/lease liabilities		(14,222)	(5,818)
Net cash flows from operating activities	**8**	**83,233**	**89,781**
Cash flows from investing activities:			
Development of intangible assets	13	(65,080)	(48,625)
Purchase of property, plant and equipment	12	(2,265)	(1,394)
Investments in associates		(1,015)	(29,804)
Investments in other non-current financial assets		(1,978)	(879)
Payments for acquisition of subsidiaries, net of cash acquired	6	(41,857)	–
Acquisition of Value Australia intangibles	13(c)	(7,268)	–
Net cash flows (used in) investing activities		**(119,463)**	**(80,702)**
Cash flows from financing activities:			
Share capital raise at IPO		–	214,661
Repayment of shareholder loans	20	–	(192,982)
Payment of equity issuance costs		–	(4,908)
PEXA shares acquired on-market	22	(1,063)	–
Payment of principal portion of lease liabilities	15	(1,883)	(1,749)
Net cash flows (used in)/from financing activities		**(2,946)**	**15,022**
Net (decrease)/increase in cash and cash equivalents held		**(39,176)**	**24,101**
Impact of changes in foreign exchange rates		324	(227)
Cash and cash equivalents at beginning of financial year		75,391	51,517
Cash and cash equivalents at the end of the financial year	8	**36,539**	**75,391**

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

NOTES TO THE FINANCIAL STATEMENTS

Note 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 2023. They were authorised for issue in accordance with a resolution of the Directors on 25 August 2023. 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) – 1 July 2021

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

Multiple steps were 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.

- Repayment of remaining shareholder loans (Note 20)
- Transaction costs (Note 4)
- New equity issued upon IPO (Note 22)

Note 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
- Initial Application of AASB 17 and AASB 9 – Comparative Information
- 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
- AASB 17 Insurance Contracts
- Non-current Liabilities with Covenants - AASB 2022-6 Amendments to AASs
- Insurance Contracts – Consequential Amendments - AASB 2022-8 Amendments to AASs

The Group has considered these and 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. Basis of consolidation

The consolidated financial statements comprise the financial statements of PEXA Group Limited and its subsidiaries as at 30 June 2023. 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; and
- 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.

e. 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.

f. Revenue and income

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.

i. Property Settlement Transaction (PST) revenue

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 financial settlement and title 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/remortgage 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. Remortgage fee revenue

The Group's UK subsidiary Optima Legal recognises revenue when a successful remortgage is completed. It is only at this point that the performance obligation to complete the remortgage is satisfied and that Optima Legal is entitled to collect the remortgage fee.

iii. Subscription revenue

The Group, through .id, recognises revenue from the sale of subscription services.

Subscription services revenue primarily consists of fees that give business customers access to local demographic and economic data, population forecasts and interactive demographic maps for all the local areas that subscribe to these tools.

These revenues are recognised over time as they are delivered and consumed concurrently over the contractual term, beginning on the date the service is made available to the customer. Subscription contracts typically have a term of 12 months duration.

Customers are generally invoiced annually or monthly in advance for subscription contracts.

Subscription revenue received in advance is recognised over the life of the contract. Revenue not yet recognised in the Consolidated Statement of Comprehensive Income under this policy is classified as contract liabilities in the Consolidated Balance Sheet.

iv. Interest income

Interest income is recognised as interest accrues using the effective interest method on the Group's cash and cash equivalents and the Group's Settlement Trust Account (that is not recognised in the Consolidated Statement of Financial Position) as the Group has a contractual right to any interest earned on settlement monies in the Settlement Trust Account.

g. Software as a Service (SaaS) arrangements

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.

h. 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 Consolidated Statement of Financial Position as an asset and recognised as an expense when the transaction completes.

i. Employee benefits and provisions

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.

j. Research and development costs

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

k. Share-based payment and cash incentive plans

Certain employees of the Group receive remuneration in the form of share-based payments or cash incentives, whereby employees render services as consideration for equity instruments (equity settled transactions) or cash incentives.

i. Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the relevant equity grant is made using an appropriate valuation model often with the assistance of external experts. Further details are contained in Note 22.

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 Consolidated 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 these 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 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.

l. Impairment of non-financial assets

Non-financial assets, other than goodwill and indefinite life intangibles which are tested for indicators of impairment annually, 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. The recoverable amount is the higher of its value in use and the asset's fair value less costs to sell. 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. 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.

m. 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 Consolidated 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 Goods and Services Taxes (GST) (in Australia) or Value Added Tax (VAT) in the UK except:

- when the GST/VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST/VAT 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/VAT included.

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

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis and the GST/VAT 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/VAT recoverable from, or payable to, the taxation authority.

n. Cash and short-term deposits

Cash and cash equivalents in the Consolidated 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. The Group's Settlement Trust Account is not recognised in the Consolidated Statement of Financial Position as the Group does not control the settlement monies included within the Trust account.

o. Property, plant and equipment

Each class of property, plant and equipment is carried at historical cost less any accumulated depreciation and impairment losses. The resulting balance also includes the cost of replacing parts that are eligible for capitalisation, these are recorded when the cost of replacing the parts is incurred. All other repairs and maintenance are recognised in the Consolidated 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 between 3 to 5 years for property, plant and equipment.

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 asset's 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 Consolidated Statement of Comprehensive Income.

p. 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 their 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 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 (updated from the prior period to include .id and Optima Legal):

	Intangible software assets	Customer relationships	Brand (Optima Legal)	Operational procedures
Useful lives	5-15 years	13-15 years	10 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	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	Acquired	Acquired

Irrespective of whether there is any indication of impairment, intangible assets with indefinite useful lives (including goodwill) or an intangible asset not yet available for use, are tested for impairment annually, either individually or at the CGU 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 profit or loss.

q. 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 other pertinent conditions as at the acquisition date.

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 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 exceeds 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 (CGU) 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 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.

r. 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. 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. The exception being trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient. Trade receivables are initially measured at the transaction price determined under AASB 15 as disclosed in Note 2(f).

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 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 these assets 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 9 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 2023 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 EIR. The EIR 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.

s. 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.

t. Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. This occurs where the contract conveys the right to control the use of an identified asset for a defined period 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 (remaining lease lives being between 3.0 and 3.5 years).

ii. Lease liabilities

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

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

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

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

iv. Leases acquired in a business combination

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

u. Interest-bearing loans and borrowings

All loans and borrowings are initially measured at fair value 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 account of 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.

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.

v. 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.

w. Contributed equity

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

Note 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

As detailed in Note 7(d), at 30 June 2023 the Group has recognised deferred tax assets of $119.1 million (30 June 2022: $122.4 million) and $7.6 million (30 June 2022: Nil) relating to carry forward tax losses in Australia and the UK respectively.

The Group's accounting policy for taxation requires management to assess whether deferred tax assets are recognised on the Consolidated Statement of Financial Position. Consistent with this policy, during the period the Group derecognised a $16.9 million deferred tax asset relating to R&D tax offsets following Link Group's in-specie distribution of its PEXA shares in January 2023.

Utilisation of the Australian tax losses and R&D tax credits are subject to integrity rules under tax law, specifically, the Continuity of Ownership Test (COT) and the Business Continuity Test (BCT). Broadly, should the Group fail the COT, the ability to utilise the tax losses and R&D tax credits will be subject to satisfaction of the BCT. Failure to satisfy the COT and the BCT in respect of any or all of the tax losses or R&D tax credits in the future may result in some or all of the DTA being reversed.

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 COT or BCT in Australia. Changes in the Group's circumstances or structure and interpretations of taxation law could alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the Consolidated 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.

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(p)(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. Off balance sheet Settlement Trust Account

As part of the operations of the PEXA Exchange, the Group provides a Settlement Trust Account (Trust Account) to provide a mechanism by which purchasers can contribute funds to the settlement of a conveyancing transaction. The Trust Account was established under the terms of the PEXA Settlement Money Trust Deed (2014) (the Deed) and the Group is the Trustee of the Account. The Group holds all settlement money of a purchaser on trust in accordance with the Deed, until that settlement money is disbursed or transferred under instruction. The total balance of the Trust Account is $245.9 million at 30 June 2023 and interest earned as fees for settlement services rendered for the year was $6.5 million (2022: $262.5 million, interest earned $0.3 million). The Group has not recognised the Trust Account as an asset and it is not recognised in the Consolidated Statement of Financial Position. Management consider the Group does not have control of any purchaser's settlement money that moves through the Trust Account and the Group cannot deny or regulate the use of the settlement monies as they act on instruction by the subscribers. In addition, the beneficial interest of the Trust Account and any settlement money always resides with the purchaser.

Significant accounting estimates and assumptions

i. Estimation of useful lives of assets

Management reviews its estimate of the useful lives of depreciable/amortisable 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 Share Based Payment Plans

Estimating the fair value for share-based payment transactions requires determination of the most appropriate valuation model which, for equity settled plans, depends on the terms and conditions of the grant at grant date. This estimate also required determination of the most appropriate inputs to the valuation model including the expected life of the performance right 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 22.

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. 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 years ended 30 June 2023 and 30 June 2022, the Group applied a Value in Use ('VIU') discounted cash flow methodology to assess recoverable amount.

Note 4. Revenue, Income and Expenses

	2023 $'000	2022 $'000
Revenue from contracts with customers		
Transfers – Australia	197,361	221,255
Refinances – Australia	48,187	40,414
Other exchange transactions – Australia	15,708	14,884
Remortgage and remortgage related – United Kingdom	7,006	—
Subscription revenue – Australia	8,222	—
Other products – Australia	5,204	3,286
Total revenue from contracts with customers	**281,688**	**279,839**
Cost of sales	**(34,767)**	**(34,525)**
Product development expenses[1]		
Employee benefit expenses[2]	(28,503)	(19,723)
IT and technology costs	(22,101)	(17,435)
	(50,604)	**(37,158)**
Sales and marketing expenses		
Employee benefit expenses[2]	(39,381)	(19,519)
Travel and entertainment	(2,221)	(1,122)
Sales and marketing	(2,426)	(2,941)
	(44,028)	**(23,582)**
General and administrative expenses		
Employee benefit expenses[2]	(25,747)	(27,632)
Deferred consideration[2]	(2,571)	—
Share based payment expense[2]	(1,987)	(719)
Redundancy and restructuring	(1,446)	—
Professional fees	(25,357)	(13,315)
M&A consulting fees	(6,177)	(347)
Occupancy expenses	(1,208)	(609)
Transaction costs associated with IPO (excluding employee benefit costs)[3]	—	(23,972)
Insurance	(7,039)	(5,509)
Other[4]	(4,653)	(4,499)
	(76,185)	**(76,602)**
Depreciation, amortisation and impairment		
Depreciation of property, plant and equipment	(828)	(609)
Amortisation of intangibles	(74,153)	(65,858)
Amortisation of debt raising transaction costs	(755)	(504)
Write off of intangibles	—	(62)
	(75,736)	**(67,033)**

1. Product development expenses relate to amounts incurred on development of the PEXA Exchange software, the UK Exchange and Digital Growth software that did not meet the Group's criteria for capitalisation as an intangible asset.
2. Total employee benefits expense for the year was $98.2 million (30 June 2022: $67.6 million) including $2.6 million of specified deferred business acquisition consideration that is contingent on continued employment.
3. For the year ended 30 June 2022, 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 other non-operating expenditure, Directors' fees and bank charges.

Note 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 customers across the property ecosystem to enable the transfer and settlement of transactions in real property.
- **PEXA Digital Growth (formerly PEXA Insights & PX Ventures)**: seeks to provide innovative data insights and digital services, transforming the experience of developing, buying and selling, settling, owning and servicing properties. PEXA acquired I.D. Consulting Pty Ltd and I.D. (informed decisions) Pty Ltd on 30 September 2022 and Value Australia on 1 July 2022 as part of this segment's growth (refer Business Combination Note 6 for details).

  Further, at 31 December 2022, PX Ventures was merged within Digital Growth. Previously it was not a reportable segment. Information that relates to PX Ventures has been included in Digital Growth and has been restated for the comparative period.
- **PEXA International:** is responsible for leveraging PEXA's capabilities into overseas Torrens Title jurisdictions, starting with the UK. PEXA acquired Optima Legal Services Limited (Optima Legal) in the UK on 30 November 2022 as a key step in this expansion (refer Business Combination Note 6 for details).

The Group does not currently generate revenue 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[1]) 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 and amortisation costs.

Assets and liabilities for the reporting segments predominantly include intangible assets and investments. PEXA International assets are predominantly $42.7 million of capitalised in-house software assets and $24.6 million of acquired intangibles from the Optima Legal acquisition. Digital Growth assets are primarily the Group's investments in associates $29.4 million (which are subject to equity accounting), internally generated software $19.5 million and acquired intangibles (including .id and Value Australia) $24.2 million.

1. From 1 July 2023 this will be the Chief Financial and Growth officer.

Segment results

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

For the year ended 30 June 2023	PEXA Exchange $'000	PEXA Digital Growth $'000	PEXA International[1] $'000	Total $'000
Segment operating revenue	**263,072**	**11,610**	**7,006**	**281,688**
Cost of sales	(32,047)	(1,989)	(731)	(34,767)
Gross margin	**231,025**	**9,621**	**6,275**	**246,921**
Resource costs	(53,027)	(17,322)	(25,268)	(95,617)
Other operating expenses	(36,882)	(8,093)	(9,333)	(54,308)
Segment EBITDA[2] from core operations	**141,116**	**(15,794)**	**(28,326)**	**96,996**
Non-operating expenses including redundancy and restructure	(3,688)	(194)	(8,261)	**(12,143)**
M&A transaction professional fees	(34)	(2,306)	(3,838)	**(6,177)**
Unrealised foreign exchange gain	—	—	3,719	**3,719**
Deferred consideration (employee expense)	—	(2,571)	—	**(2,571)**
Share of loss after tax from investments in associates	—	(1,304)	—	**(1,304)**
Segment EBITDA[2]	**137,394**	**(22,169)**	**(36,706)**	**78,520**
Depreciation and amortisation				(77,544)
Interest expense (net)				(4,140)
Statutory net (loss) before tax				**(3,164)**

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.

For the year ended 30 June 2022	PEXA Exchange $'000	PEXA Digital Growth $'000	PEXA International[1] $'000	Total $'000
Segment operating revenue	**278,522**	**1,317**	**—**	**279,839**
Cost of sales	(33,370)	(1,155)	—	(34,525)
Gross margin	**245,152**	**162**	**—**	**245,314**
Resource costs	(55,114)	(5,732)	(6,749)	(67,595)
Other operating expenses	(37,439)	(1,781)	(5,455)	(44,676)
Segment EBITDA[2] from core operations	**152,599**	**(7,351)**	**(12,204)**	**133,044**
Non-operating expenses including redundancy and restructure	(1,399)	—	—	**(1,399)**
Transaction costs associated with IPO	(23,972)	—	—	**(23,972)**
Unrealised foreign exchange loss	—	—	(400)	**(400)**
Share of loss after tax from investments in associates	—	(162)	—	**(162)**
Segment EBITDA[2]	**127,228**	**(7,514)**	**(12,604)**	**107,110**
Depreciation and amortisation				(68,875)
Interest expense (net)				(5,315)
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.

Note 6. Business Combinations

.id Group (.id)

On 30 September 2022, the Group acquired 100% of .id (made up by I.D. Consulting Pty Ltd & I.D. (informed decisions) Pty Ltd), for $20.6 million.

.id is a leading provider of demographic, economic and property information to local governments and a range of other public and private sector organisations. As such, .id forms the cornerstone of PEXA's offering to enable customers to determine where to make key investments such as in infrastructure, housing, retail, and education facilities.

The acquisition also includes a fixed deferred consideration of $6.0 million and a possible earn out payment which are both payable at 30 June 2024. Both are subject to continued employment service and have been assessed as employee remuneration under AASB 119 rather than purchase consideration. A total of $2.6 million relating to the deferred consideration (assessed as employee remuneration) has been accrued for the year ended 30 June 2023. No expense has been recognised for the earn out at 30 June 2023, based on a probability weighted approach around the achievement of conditions and hurdles.

The acquired business contributed revenue of $8.2 million and a net profit after tax (NPAT) of $ 0.6 million to the Group for the period since acquisition to 30 June 2023. If the acquisition had occurred on 1 July 2022, the contributed revenue for the period to 30 June 2023 would have been $10.8 million and a NPAT of $0.6 million.

$0.8 million of acquisition related costs were incurred and expensed in M&A due diligence costs as part of general and administration expenses.

The acquisition has been accounted for, including identification and external valuation of identifiable intangible assets, using the acquisition method. Goodwill of $6.9 million represents the future value of synergies expected to be received as a result of the .id acquisition, including enabling Digital Growth to expand its service offering across the demand for land segment. Goodwill is not deductable for taxation purposes.

The consideration transferred, and the fair value of the assets and liabilities at the date of the acquisition were as follows:

	$'000
Purchase consideration	20,639
Net assets acquired of .id as at the date of acquisition were:	
Cash	3,041
Trade debtors	2,283
Other receivables/prepayments	394
Fixed assets	158
Intangibles – software	1
Deferred tax asset	1,272
Trade creditors	(175)
Contract liabilities	(4,409)
Provisions	(1,028)
Other payables/accruals	(1,202)
Deferred tax liability	(2,000)
Commercialised software	8,852
Brand	2,379
Customer relationships	4,210
Goodwill	6,863
Total identifiable net assets at fair value acquired	**20,639**

Cashflow on acquisition

	$'000
Net cash acquired with the subsidiary	3,041
Cash paid	(20,639)
Net cashflow on acquisition	(17,598)

No contingent liabilities or guarantees existed at the acquisition date.

The fair value, and the gross amount, of the trade receivables as at date of acquisition (30 September 2022) was $2.3 million and the full contractual amounts were collected before 30 June 2023.

The intangibles are allocated entirely to the Digital Growth segment.

Optima Legal Services Limited (Optima Legal)

On 30 November 2022, the Group acquired 100% of Optima Legal (an entity incorporated in the UK) for a payment of GBP 13.6 million (AUD $24.4 million). Optima Legal is a high-volume remortgage processing firm headquartered in Leeds that provides legal services in the UK remortgage market. It is one of the largest remortgage processing firms in the UK, with over 20% ordinary share of the remortgage market and direct relationships with six of the UK's top eight lenders.

By integrating PEXA's UK exchange platform into Optima Legal systems, the Group aims to demonstrate the benefits of the PEXA International exchange platform at scale, facilitating and fast tracking the adoption of PEXA's International exchange platform in the UK market. The long-term goal will be for lenders to be able to choose to utilise PEXA's technology directly, via Optima Legal, or via any UK conveyancing firm that integrates with the PEXA International platform.

The acquired business contributed revenue of AUD $8.7 million (includes AUD $1.7 million of interest income) and a net loss after tax of AUD $4.2 million to the Group for the period since acquisition to 30 June 2023. It is not practical to disclose the revenue and profit after tax as if this acquisition took place on 1 July 2022 as PEXA does not have access to audited financial information for the period up to the date of acquisition prepared on the same Group accounting policies.

There have been AUD $3.1 million of acquisition related costs incurred to date and expensed in M&A due diligence costs as part of general and administration expenses.

The acquisition has been accounted for, including identification and external valuation of identifiable intangible assets, using the acquisition method. Goodwill of AUD $17.6 million represents the future value of synergies expected to be received as a result of the Optima Legal acquisition, including enabling PEXA International to accelerate its rollout in the UK market. Goodwill is not deductable for taxation purposes.

The consideration transferred, and the value of the assets and liabilities assumed at the date of the acquisition are as follows:

	$'000
Purchase consideration	24,368
The fair values of the identifiable assets and liabilities of Optima as at the date of acquisition were:	
Cash	109
Trade debtors	1,809
Other receivables/prepayments	1,140
Intangibles – software	48
Trade creditors	(377)
Other payables/accruals	(2,051)
Deferred tax liability	(2,035)
Commercialised software	3,173
Brand	2,031
Customer relationships	2,937
Goodwill	17,584
Total identifiable net assets at fair value acquired	24,368

Cash flow on acquisition

	$'000
Net cash acquired with the subsidiary	109
Cash paid	(24,368)
Net cash flow on acquisition	(24,259)

No contingent liabilities or guarantees existed at the acquisition date other than those outlined in Note 27.

The fair value, and the gross amount, of the trade receivables at date of acquisition is AUD $1.8 million and the full contractual amounts were collected before 30 June 2023.

The goodwill is allocated entirely to the PEXA International segment.

Note 7. Income Tax

a. Income tax (expense)/benefit

The major components of income tax expense are:

	2023 $'000	2022 $'000
Consolidated Statement of Comprehensive Income		
Current income tax expense		
Current income tax charge	–	–
Deferred income tax expense		
Utilisation of prior year tax losses	–	(4,119)
Relating to deferred tax on temporary differences	(18,837)	(9,712)
Adjustment in respect of prior years	2,583	1,966
Deferred tax – research and development tax credit	(2,251)	(687)
Recognition of current period tax losses carried forward	13,052	–
Reversal of tax benefit relating to prior period research and development tax credits carried forward	(16,896)	–
Recognition of current period tax credits carried forward	2,934	1,483
Tax benefit from carry forward tax losses not recognised	(303)	–
Movements in foreign currency	(249)	–
Effect of changes in the tax rate in foreign jurisdictions	1,291	–
Income tax (expense) reported in the Consolidated Statement of Comprehensive Income	**(18,676)**	**(11,069)**

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:

	2023 $'000	2022 $'000
Accounting profit/(loss) before tax	**(3,164)**	**32,920**
(Expense)/benefit at the Group's statutory tax rate of 30% (2022: 30%)	949	(9,876)
Adjustments in respect of current income tax		
Effect of tax rates in foreign jurisdictions	(2,050)	(687)
Expenditure not allowable for income tax	(5,190)	(3,267)
Adjustment in respect of prior years	2,583	1,966
Deferred tax – research and development tax credit	(2,251)	(687)
Recognition of current period tax credits carried forward	2,934	1,483
Reversal of tax benefit relating to prior period research and development tax credits carried forward	(16,896)	—
Movements in foreign currency	233	—
Effect of changes in the tax rate in foreign jurisdictions	1,276	—
Other adjustments	(264)	(1)
Income tax (expense) reported in the Consolidated Statement of Comprehensive Income	**(18,676)**	**(11,069)**

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.

Amounts recognised in foreign currency fluctuation reserve relate to the conversion of international deferred tax assets and deferred tax liabilities to reporting currency.

	2023 $'000	2022 $'000
Net deferred tax – debited/(credited) directly to prepayments[1]	—	171
Net deferred tax – debited/(credited) directly to share issuance reserve	—	(1,927)
Net deferred tax – debited/(credited) directly to foreign currency fluctuation reserve	118	—
Net deferred tax – debited/(credited) directly to other equity	(23)	
Total	**95**	**(1,756)**

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

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 where they relate to income taxes levied by the same tax authority. The gross deferred tax balances are shown below:

Australia

	Consolidated Statement of Financial Position		Acquired in Business Combination		Consolidated Statement of Comprehensive Income	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Deferred Tax Liabilities						
Intangible assets	(195,088)	(177,763)	(2,000)	—	(15,326)	(12,141)
Deferred Tax Assets						
Transaction costs	6,754	12,875	—	—	(6,121)	2,144
Provisions and accruals	9,188	9,312	1,272	—	(1,373)	1,149
Carry forward tax losses and tax credits	119,081	122,439	—	—	(3,358)	(465)
Total Deferred Tax Assets	**135,023**	**144,626**	**1,272**	**—**	**(10,852)**	**2,828**
Net Deferred Tax Liabilities	**(60,065)**	**(33,137)**	**(728)**	**—**	**(26,178)**	**(9,313)**

United Kingdom

	Consolidated Statement of Financial Position		Acquired in Business Combination		Consolidated Statement of Comprehensive Income	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Deferred Tax Liabilities						
Intangible assets	(2,006)	—	(2,035)	—	(89)	—
Deferred Tax Assets						
Carry forward tax losses	7,591	—	—	—	7,591	—
Net Deferred Tax Assets	**5,585**	**—**	**(2,035)**	**—**	**7,502**	**—**

The Group is carrying a deferred tax asset of $119.1 million relating to carry forward Australian tax losses and research and development (R&D) tax credits. Utilisation of these tax losses and R&D tax credits are subject to integrity rules under tax law. During the period the Group derecognised a $16.9 million deferred tax asset relating to R&D tax offsets following Link Group's in-specie distribution of its PEXA shares in January 2023.

The Group acquired two entities via a Business Combination in the year ended 30 June 2023 (refer to Note 6). Deferred tax liabilities were recognised on the initial recognition of intangible assets acquired in accordance with AASB 112.

e. Tax consolidation or grouping

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. PEXA Group Limited is the head entity of the tax consolidated group. Two entities joined the tax consolidated group during the year ended 30 June 2023, namely I.D. Consulting Pty Ltd and I.D. (informed decisions) Pty Ltd.

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.

The Group also holds less than 100% interest in an Australian resident subsidiary which does not form part of the tax consolidated group.

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.

iv. Overseas interests

The Group has three wholly owned subsidiaries in the United Kingdom which are not part of the Australian tax consolidated group and which are standalone taxpayers in the United Kingdom (refer Note 24(c)). These entities are eligible for tax group relief rules which allow entities to share tax losses in the United Kingdom.

The Group, via its subsidiaries in the United Kingdom, has recognised a net deferred tax asset of $5.6 million (GBP 2.9 million) including pre-trading expenses originally incurred in the years ended 30 June 2021 and 30 June 2022 following the commencement of trade for United Kingdom corporations tax purposes in the year ended 30 June 2023. No deferred tax asset for the United Kingdom was recognised in the year ended 30 June 2022.

Note 8. Current Assets – Cash and Cash Equivalents

	2023 $'000	2022 $'000
Cash at bank and on hand	36,539	60,391
Short-term deposits	—	15,000
	36,539	**75,391**

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

	2023 $'000	2022 $'000
(Loss)/Profit after income tax	(21,840)	21,851
Adjustments for:		
Non-cash items:		
Depreciation and amortisation	76,766	68,309
Debt raising transaction costs amortisation	754	504
Long term share and other incentive plans	1,993	1,710
Share of loss of associates	1,304	162
Impairment of intangibles	23	63
Loss on investments	—	300
Provision for deferred consideration	2,571	—
Unrealised FX (gain)/loss	(3,719)	400
Income tax expense	18,676	11,069
Change in operating assets and liabilities:		
(Increase)/decrease in receivables	(172)	673
Decrease/(increase) in prepayments/other assets	7,088	(13,088)
(Decrease) in contract liabilities	(569)	—
Increase/(decrease) in payables	224	(3,051)
Increase in provisions	134	879
Net cash inflows from operating activities	**83,233**	**89,781**

Note 9. Current Assets – Trade and Other Receivables

	2023 $'000	2022 $'000
Trade receivables from contracts with customers	5,163	1,202
Other receivables	538	240
	5,701	**1,442**

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 Property Settlement Transaction ('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. .id and Optima Legal (current year acquisitions) had no credit losses from the time of acquisition until the end of the financial year. Accordingly, the allowance for ECLs at 30 June 2023 was nil (30 June 2022: nil).

Note 10. Prepayments and Other Assets

Current	2023 $'000	2022 $'000
Prepaid insurance	1,099	6,257
Prepaid software licensing and support	5,984	5,256
Prepaid land registry fees – lodgement support services	1,776	1,658
Other prepayments	3,987	2,824
Other assets	—	1,328
	12,846	**17,323**

Non-current	2023 $'000	2022 $'000
Prepaid insurance	**2,955**	**4,071**

Note 11. Current Assets – Financial Assets

	2023 $'000	2022 $'000
Other financial assets	**27,249**	**24,141**

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 17) 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.

Note 12. 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 2021	177	2,109	2,286
Other	5	—	5
Additions	17	1,377	1,394
Write down fully amortised	—	(594)	(594)
At 30 June 2022	199	2,892	3,091
Acquisition of subsidiaries	—	1,756	1,756
Additions	875	1,390	2,265
Foreign exchange movement	—	4	4
At 30 June 2023	**1,074**	**6,042**	**7,116**
Depreciation and Impairment			
At 30 June 2021	(98)	(1,365)	(1,463)
Other	(6)	—	(6)
Depreciation charge for the year	(36)	(573)	(609)
Write down fully amortised	—	594	594
At 30 June 2022	(140)	(1,344)	(1,484)
Acquisition of subsidiaries	—	(1,598)	(1,598)
Depreciation charge for the year	(66)	(762)	(828)
Foreign exchange movement	—	(2)	(2)
At 30 June 2023	**(206)**	**(3,706)**	**(3,912)**
Net book value			
At 30 June 2022	59	1,548	1,607
At 30 June 2023	868	2,336	3,204

Note 13. Non-Current Assets – Intangible Assets

	Goodwill $'000	Commercialised Software $'000	In-House Software $'000	Operational Procedures $'000	Customer Relationships $'000	Brand $'000	Licenses $'000	Total $'000
Cost								
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
Additions	–	931	64,149	–	–	–	–	65,080
R&D tax credit adjustment[1]	–	–	5,612	–	–	–	–	5,612
Acquisition of subsidiaries	24,447	12,099	1	–	7,147	4,410	–	48,104
Acquired intellectual property	–	10,268	–	–	–	–	–	10,268
Foreign exchange movement	1,133	204	1	–	189	131	–	1,658
Write down fully amortised assets	–	–	–	(1,871)	–	–	–	(1,871)
Write off intangible asset	–	–	(23)	–	–	–	–	(23)
At 30 June 2023	**719,131**	**462,402**	**213,653**	**–**	**404,787**	**28,201**	**14,959**	**1,843,133**
Amortisation and impairment								
At 30 June 2021	–	(72,239)	(9,689)	(1,537)	(65,017)	–	–	(148,482)
Amortisation	–	(29,388)	(9,685)	(334)	(26,451)	–	–	(65,858)
At 30 June 2022	–	(101,627)	(19,374)	(1,871)	(91,468)	–	–	(214,340)
Amortisation	–	(31,169)	(15,974)	–	(26,861)	(126)	–	(74,130)
R&D tax credit adjustment[1]	–	–	(5,612)	–	–	–	–	(5,612)
Acquisition of subsidiaries	–	(26)	–	–	–	–	–	(26)
Foreign exchange movement	–	(3)	(2)	–	–	–	–	(5)
Write down fully amortised assets	–	–	–	1,871	–	–	–	1,871
At 30 June 2023	**–**	**(132,825)**	**(40,962)**	**–**	**(118,329)**	**(126)**	**–**	**(292,242)**
Net book value								
At 30 June 2022	**693,551**	**337,273**	**124,539**	**–**	**305,983**	**23,660**	**14,959**	**1,499,965**
At 30 June 2023	**719,131**	**329,577**	**172,691[2]**	**–**	**286,458**	**28,075**	**14,959**	**1,550,891**

1. Write off fully amortised R&D tax credits.
2. Includes $16.0 million (June 2022: $24.7 million) of work in progress not considered ready for use.

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
Commercialised and in-house software	5 – 15 years useful life
Customer relationships	13 – 15 years useful life
Operational procedures	3 year useful life
Brand (Optima Legal)	10 year useful life
Brands (PEXA/.id)	Indefinite life
Licences	Indefinite life

For the year ended 30 June 2022

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 tables above, the PEXA Brand, .id Brand and Licences have been assessed as having indefinite useful lives and are not amortised, however the Optima Legal Brand has a useful life of 10 years. The Group has considered the following factors in making this assessment:

a. **PEXA Brand and .id Brand:** The Group expects to use these indefinitely and expects any hypothetical acquirer would continue to utilise the brand.
b. **Optima Legal Brand:** The Group expects to utilise the Optima Legal Brand during the formative years of the PEXA UK business, but anticipates a gradual phasing out of the Brand over the longer term.
c. **Licences:** These represent licences from the Australian e-conveyancing regulator and are critical to the operations of the business. Accordingly, management intends to continually renew these licenses.

International (UK) in-house software commenced being amortised from 1 January 2023 as the International platform is now operational in the UK.

No impairments were identified in the year ended 30 June 2023 other than the write-off of certain in-house intangible assets $0.02 million (2022: $0.06 million).

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 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.

Consistent with 30 June 2022 and as detailed in Note 5, the Group has three reportable operating segments. At 30 June 2022, two of the reportable segments (PEXA Exchange and PEXA International) were subject to impairment testing under the requirements of AASB 136. At that time, the third reportable segment (Digital Growth) assets were primarily the Group's investments in associates (which did not have impairment indicators).

During the year ended 30 June 2023, the Group has acquired and invested in a number of new businesses and assets. These include Optima Legal Services Limited (allocated to PEXA International), .id and Value Australia (both allocated to Digital Growth).

The impairment testing for PEXA International reflects consolidated cash flows included in the Board approved UK strategy. The impairment testing for Digital Growth reflects individual impairment assessments on the asset or business acquired.

30 June 2023 assessment

For the year ended 30 June 2023, the Group applied a VIU discounted cash flow methodology to assess the recoverable amount of the PEXA Exchange, Digital Growth and PEXA International. Key inputs and assumptions to the VIU calculation are outlined below.

Key inputs and assumptions

The table below summarises key assumptions used in the VIU model for the year ended 30 June 2023 and year ended 30 June 2022. Further information on how these were determined is contained below.

	Discount rates		TV Growth rate (%)/EBITDA Multiples ('x')		Forecast Cash Flow Period (Years)	
	2023	2022	2023	2022	2023	2022
PEXA Exchange	9.00%	8.21%	3.0%	3.0%	5Y	5Y
Digital Growth						
– .id	17.06%	—	2.5%	—	5Y	—
– Value Australia	17.06%	—	2.5%	—	8Y	—
PEXA International	12.68%	12.16%	2.5%	15.0x	8Y	5Y

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 premia have also been considered for all CGUs to best reflect both their stage of maturity and incremental forecast cash flows.

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 are not yet committed to, or possible future investments.

In developing forecast cash flows, management has considered and used a range of judgments and assumptions relating to forecast transaction levels, revenue growth including competitor activity, commencement of material operations, overhead costs and discount rates. Five-year forecasts were used for PEXA Australia and .id, while eight-year forecasts were used for Digital Growth (Value Australia) alongside PEXA International to appropriately reflect their earlier-stage of maturity.

A terminal value within the final year of cash flow was determined with reference to both economic and market conditions. All cash flows used a terminal growth rate methodology.

Notes to the Financial Statements continued

Growth rate estimates

The discount rate calculation is based on specific circumstances of the segment and is derived with reference to the Group's weighted average cost of capital (WACC). Segment-specific risk is incorporated through an incremental company-risk factor reflecting the growth profile of the segment. The WACC is evaluated annually based on publicly available market data.

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 respective CGU/segment.

Change in assumption resulting in recoverable amount being equivalent to carrying value – increase/(decrease)	Discount rate (%)	TV Growth rate (%)	Forecast cash flows (%)
PEXA Exchange	1.3%	(1.8%)	(16.9%)
Digital Growth			
– .id	5.3%	(10.8%)	(29.5%)
– Value Australia	0.1%	(0.2%)	(0.8%)
PEXA International	5.6%	(15.1%)	(34.3%)

c. Slate Analytics Pty Ltd ("Slate Analytics" or "Value Australia")

On 1 July 2022, the Group paid FrontierSI $7.0 million to acquire a 70% ownership in a newly created entity – Slate Analytics Pty Ltd, which uses the brand name Value Australia. The investment allows PEXA to partner with the University of NSW and FrontierSI, both as joint minority owners, 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 were acquired as part of the transaction.

The newly incorporated business is currently in the build phase and has contributed a net loss after tax of $1.0 million to the Group for the period since acquisition to 30 June 2023.

There were $0.3 million of acquisition related costs incurred and these are included in the cost base on acquisition of the intellectual property ("IP").

The acquisition has been accounted for as an asset acquisition while reflecting a minority interest of 30% for minority ownership.

Details of the purchase consideration and net assets acquired are as follows:

	$'000
Intangible – automated valuation model	10,000
Other financial liability	(3,000)
Purchase consideration	7,000
Costs incurred	268
Net assets acquired	**7,268**

Other financial liability relates to put/call arrangements between parties whereby PEXA may be obliged to acquire the remaining share capital from 30 June 2026 at a price to be determined which will reflect fair value as agreed by all parties as at that date. The amount has been recognised at fair value $3.0 million at 30 June 2023 (refer Note 16) and will be reassessed each reporting period.

Note 14. Other Non-Current Financial Assets

Investments	2023 $'000	2022 $'000
Honey Insurance Pty Ltd	250	250
Opex Contracts Pty Ltd	1,079	579
Archistar Pty Ltd	1,478	–
	2,807	**829**

Investments are recognised at fair value at 30 June 2023 (refer Note 16) and will be reassessed each reporting period. The Group holds non-controlling interests (between 0.33% and 22%) in these other non-current financial assets. These investments are designated at fair value through OCI as the Group considers these investments to be strategic in nature. The fair values of the non-listed equity investments are assessed based on valuation techniques including DCF models. This requires management to make certain assumptions about carrying value.

Note 15. Leases

Group as a lessee

The Group has lease contracts pertaining to several 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(t).

These leases are for office space and have lease terms of 3.0 to 3.5 years remaining.

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 2021	10,137
Additions	101
Lease modification	(546)
Depreciation expense	(1,842)
At 30 June 2022	**7,850**
Depreciation expense	(1,808)
At 30 June 2023	**6,042**

The following is a reconciliation of the lease liabilities as at 30 June 2023:

	Lease liabilities $'000
At 1 July 2021	11,703
Additions	101
Lease modification	(548)
Accretion of interest	487
Payments made	(2,236)
At 30 June 2022	**9,507**
Accretion of interest	401
Payments made	(2,284)
At 30 June 2023	**7,624**

Below is the allocation of lease liabilities between current and non-current liabilities at 30 June 2023:

	2023 $'000	2022 $'000
Lease liabilities		
Current lease liabilities	2,004	1,882
Non-current lease liabilities	5,620	7,625
	7,624	**9,507**

The following are the amounts recognised in profit or loss:

	2023 $'000	2022 $'000
Depreciation expense of right-of-use assets	1,808	1,842
Interest expense on lease liabilities	401	487
Expense relating to short-term leases (temporary office space)	514	120
Total amount recognised in profit or loss	**2,723**	**2,449**

The Group has total cash outflows for leases of $2.3 million for the year ended 30 June 2023 (30 June 2022: $2.2 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 $12.4 million (30 June 2022: $12.4 million).

Note 16. 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:

	2023 $'000	2022 $'000
Financial assets/(liabilities) measured at amortised cost		
Cash and cash equivalents	36,539	75,391
Trade and other receivables	5,701	1,442
Other financial assets	27,249	24,141
Other non-current financial assets	2,807	829
Interest-bearing loans and borrowings	(298,743)	(297,989)
Trade and other payables	(59,402)	(49,499)
Other financial liabilities	(3,000)	—
Total net financial (liabilities)/assets	**(288,849)**	**(245,685)**

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 linked to a Bank Bill Swap Rate (BBSY) that is subject to market fluctuations.

Fair value measurement

a. Fair value measurements recognised in the Consolidated Statement of Financial Position

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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.

Notes to the Financial Statements continued

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial assets and liabilities measured at fair value	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 30 June 2022					
Other financial assets	(i)	–	–	829	829
Other financial liabilities	(ii)	–	–	–	–
		–	**–**	**829**	**829**
At 30 June 2023					
Other financial assets	(i)	–	–	2,807	2,807
Other financial liabilities	(ii)	–	–	(3,000)	(3,000)
		–	**–**	**(193)**	**(193)**

(i) The other financial asset (investments) is detailed in Note 14 and has been recognised at fair value at 30 June 2023.

(ii) The other financial liability (Value Australia) is detailed in Note 13(c) and has been recognised at fair value at 30 June 2023. Management reviewed the non-controlling interest in Value Australia through VIU modelling (refer Note 13(b)). Management were satisfied with the carrying value as at 30 June 2023. Sensitising the weighted average cost of capital used in VIU modelling by +/-25 basis points resulted in a +/-$0.1m movement in the liability's carrying value.

	2023 $'000	2022 $'000
Movements in fair value		
Opening balance	829	–
Acquisition of other financial assets	1,978	829
Acquisition of other financial liabilities	(3,000)	–
	(193)	**829**
Classification:		
Current	–	–
Non-current	(193)	829

The valuation requires management to make certain assumptions about the model inputs, including future operating cash inflows and outflows, expenditure to complete and the rate used to discount those cashflows. The Group has assessed that there has been no material movement in fair value since that date.

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 Group's 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 $335.0 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 weighted average margin of 1.54% over BBSY, which is subject to market fluctuations. A +/- 100 basis point movement in interest rates would impact interest expense on borrowings and equity for the last twelve months to 30 June 2023 by +/- $3.0 million.

The Group holds cash and cash equivalents which earn interest at floating rates (cash at bank), fixed rates (short-term deposits) and earns interest and equity on the PEXA Exchange Source Account. A +/- 100 basis point movement in interest rates would impact interest earned at the end of the period by +/- $4.0 million (30 June 2022: +/- $3.7 million).

Further, the Group holds a financial liability in the form of a put/call option on its non-controlling interest in Value Australia. In determining the liability's carrying value (30 June 2023: $3.0 million) the liability is discounted at the Group's cost of debt. Sensitising the Group's FY23 cost of debt in this calculation by +/- 25 basis points resulted in a +/- $0.1 million movement in the liability's carrying value.

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 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
2023					
Financial liabilities	27,249	—	—	27,249	27,249
Trade payables, accruals and other payables	32,153	—	—	32,153	32,153
Interest-bearing loans and borrowings	18,828	316,699	—	335,527	298,743
Lease liabilities	2,314	5,947	—	8,261	7,625
Other financial liabilities	—	3,000	—	3,000	3,000
Total	**80,544**	**325,646**	**—**	**406,190**	**368,770**

	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**

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. Further, .id and Optima Legal (current year acquisitions) had credit losses of less than $0.01 million for the full financial year and are not expected to increase the Group's credit risk profile.

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 in 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.

Note 17. Current Liabilities – Trade and Other Payables

	2023 $'000	2022 $'000
Financial liabilities (a)	27,249	24,141
Trade payables (b)	4,221	3,647
Other accruals	22,983	18,812
Deferred consideration	2,572	—
Superannuation payable	62	57
Other payables	2,315	2,842
Total	**59,402**	**49,499**

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

a. 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 11) and passed on to the Land Title Registries within 3 business days of lodgement.

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

Note 18. Current Liabilities – Provisions

	2023 $'000	2022 $'000
Annual leave	5,925	4,788
Long service leave	1,937	1,947
Total	**7,862**	**6,735**

Note 19. Non-Current Liabilities – Provision

	2023 $'000	2022 $'000
Long service leave	**728**	**693**

Note 20. Current Interest-Bearing Loans and Borrowings (Related Parties)

	2023 $'000	2022 $'000
At 1 July	–	192,982
Repayment of shareholder loans	–	(192,982)
Total	**–**	**–**

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

Note 21. Non-Current Interest–Bearing Loans and Borrowings

	2023 $'000	2022 $'000
Borrowings – unsecured	300,000	300,000
Deferred borrowing costs[1]	(1,257)	(2,011)
Total	**298,743**	**297,989**

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 Consolidated Statement of Financial Position and amortised to borrowing costs in the Consolidated 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 $335.0 million documented under a Syndicated Facility Agreement (SFA) on 23 June 2021.

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 2023 there were no defaults or breaches of any obligations of the Group under the SFA.

Note 22. Contributed Equity and Reserves

a. Ordinary shares

	2023 $'000	2022 $'000
Issued and fully paid	1,267,600	1,268,362
Total	**1,267,600**	**1,268,362**

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

Movement in ordinary shares on issue	No. of shares	$'000
At 1 July 2021	164,717,352	1,058,198
Shares issued upon IPO[1]	12,531,289	214,661
Share based payments to employees and Directors in connection with IPO[1]	77,147	—
Equity issuance costs (net of tax)[2]	—	(4,497)
At 30 June 2022	**177,325,788**	**1,268,362**
Shares acquired on market for equity plans[3]	(75,035)	(1,063)
Shares issued in relation to equity plans	21,442	301
	177,272,195	**1,267,600**
Treasury shares (held in trust)	53,593	—
At 30 June 2023	**177,325,788**	**1,267,600**

1. 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 Group received proceeds of $214.7 million as a result of the IPO (before repayment of outstanding shareholder loans of $193.0 million and underwriting and management fees of $20.1 million for IPO Joint Lead Managers).
2. 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.
3. 75,035 shares were acquired by the Group on-market and are held in trust by PEXA for employee equity plans (refer (c) and (d) below).

b. Reserves

Foreign Currency Translation Reserve	2023 $'000	2022 $'000
Opening balance	**175**	—
Current year movement	(1,649)	175
Total	**(1,474)**	**175**

Share Based Payments Reserve	2023 $'000	2022 $'000
Opening balance	**8,308**	**7,589**
Close MEP Share Reserve to Accumulated Losses Reserve[1]	(6,267)	—
Share based payment expense – LTI Plan related payments	1,497	719
Total	**3,538**	**8,308**

1. MEP share based plan finalised and fully vested at IPO (July 2021), therefore the Reserve has realised and transferred to Accumulated Losses Reserve.

Benefits are provided to employees (including the Chief Executive Officer (CEO), executives, other senior leaders and higher performing employees) of the Group in the form of share-based payments, whereby employees render services in exchange for equity or rights over shares.

The Long-Term Incentive Plans (LTI Plans) aim to set and reward a high standard of performance over a three-year vesting period, tied to the appropriate company performance measures. The Sign-On and Retention Plans and Transformer Plan are tied to a service condition only. For all LTI Plans the participants are not entitled to any dividends until vested.

On 30 September 2021, the Group's Board approved PEXA's 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.

During the twelve-month period ended 30 June 2022 the Group's Board approved the following share-based payment plan for executives:

FY22 LTI Plan

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 $2,510,352. The required period of employment was 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 over three years. Relative TSR combines the security price movement and distributions (which are assumed to be reinvested), to show the total return to security holders, 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 PEXA 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 is 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. The expense relating to the EPS portion of the LTI Plan is accrued for over three years.

During the twelve-month period ended 30 June 2023 the Group's Board approved the following additional share based payment plans for executives and employees:

a. FY23 LTI Plan

Granted on 20 October 2022 (CEO – 18 November 2022) the FY23 LTI Plan contains a service condition and two performance conditions (one subject to a relative Total Shareholder Return ('TSR') performance condition and one subject to a non-market performance condition – an EPS target). A valuation of the performance rights was completed on this plan. The total fair value of the FY23 LTI Plan grant was $4,121,662.

Key features of the FY23 LTI Plan:

Required period of employment: three years from 1 July 2022 to 30 June 2025

Performance hurdles:

- **Relative Total Shareholder Return (TSR):** 50% of the FY23 LTI Plan is subject to performance against a relative TSR metric over three years. Relative TSR combines the security price movement and distributions (which are assumed to be reinvested), to show the total return to security holders, relative to that of other companies in the TSR comparator group, which is the ASX 200 Information Technology Index, tested at the end of FY25. 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):** 50% of the FY23 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 EPS CAGR will be measured based on FY25 audited results compared to FY22 audited results EPS CAGR (adjusted to remove one-off offer costs relating to PEXA's IPO):

EPS CAGR	Vesting % of max
Below Target	Nil
At Target	50%
Between Target and Maximum	Pro rata
Maximum	**100%**

Across all aspects of the FY23 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. The expense relating to the EPS portion of the LTI Plan is accrued over the performance period of three years.

Valuation

The fair value of performance rights granted under the FY23 LTI Plan is estimated at the date of grant using a combined Black Scholes pricing model (EPS rights) and Monte Carlo simulation 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 $10.06 per share (CEO) and $10.25 per share (all other participants) and EPS rights at $14.18 per share (CEO) and $13.89 per share (all other participants).

Key inputs and assumptions

	Other participants	CEO
Weighted average fair values at the measurement date ($)	12.07	12.12
Dividend yield (%)	0.00	0.00
Expected volatility (%)	37.5	37.5
Risk-free interest rate (%)	3.23	3.16
Closing share price as at the grant date ($)	13.89	14.18
Model used	Combined – Black Scholes pricing model and Monte Carlo simulation pricing model	

The expected life of the performance rights is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the performance rights is indicative of future trends, which may not necessarily be the actual outcome.

The weighted average fair value per performance rights granted under the FY23 LTI Plan during the twelve months ended 30 June 2023 was $12.12 (CEO) and $12.07 (all other participants).

b. FY23 Sign-on and Retention Plan (SORP)

Granted on 10 October 2022 and 29 March 2023, this SORP is for nine employees and contains a service condition only. The total fair value of the FY23 SORP grant was $1,385,964.

Required period of employment: Ranging from July 2023 to December 2024.

Valuation

The fair value of performance rights granted under the FY23 Retention Plan is estimated at the date of grant using a Black Scholes pricing model taking into account the terms and conditions upon which the performance rights were granted. The fair value of rights issued in October 2022 has been calculated at $15.09 per share and those issued in March 2023 calculated at $12.52 per share. A separate valuation was not obtained in March 2023 given the smaller number of employees that are included.

Key inputs and assumptions

	Oct 2022
Weighted average fair values at the measurement date ($)	15.09
Dividend yield (%)	0.00
Expected volatility (%)	37.5
Risk-free interest rate (%)	3.21
Closing share price as at the grant date ($)	15.09
Model used	Black Scholes pricing model

The weighted average fair value per performance rights granted under the SORP during the twelve months ended 30 June 2023 was $13.97.

c. FY23 Employee Share plan (ESP)

Granted on 10 October 2022, the PEXA Group purchased 21,442 PEXA shares on-market for 305 employees on 25 October 2022 and allocated them on 26 October 2022. The shares have no performance measures. The fair value of the purchased shares of $0.3 million was fully expensed in the period as there are no hurdles to their vesting. Fair value has been measured based on the listed value of the purchased shares as at the grant date.

d. FY23 Transformers plan (TP)

Granted on 11 October 2022, the PEXA Group purchased 53,593 PEXA shares on-market for 29 participants on 25 and 26 October 2022 and allocated them on 27 October 2022. The shares have no performance measures but have a service condition of one year before they vest. If an employee leaves the business during that period, the shares are forfeited. The fair value of the purchased shares of $0.76 million is expensed over the vesting period. Fair value has been measured based on the listed value of the purchased shares as at the grant date.

The movements in the number of performance rights and shares on issue during the year are as follows:

Performance Rights	FY22 LTI Plan	FY23 LTI Plan	FY23 SORP	Total
At 1 July 2022	**167,301**	**—**	**—**	**167,301**
Granted during the year	—	341,218	99,191	440,409
Forfeited during the year	(37,845)	(59,852)	—	(97,697)
Expired during the year	—	—	—	—
Vested and exercised during the year	—	—	—	—
At 30 June 2023	**129,456**	**281,366**	**99,191**	**510,013**

Performance Rights	FY22 LTI Plan	Total
At 1 July 2021	**—**	**—**
Granted during the year	167,301	167,301
Forfeited during the year	—	—
Expired during the year	—	—
Vested and exercised during the year	—	—
At 30 June 2022	**167,301**	**167,301**

Employee Shares	FY23 ESP	FY23 TP	Total
At 1 July 2022	**—**	**—**	**—**
Granted during the year	21,442	53,593	75,035
Forfeited during the year	—	(6,784)	(6,784)
Expired during the year	—	—	—
Vested and exercised during the year	(21,442)	—	(21,442)
At 30 June 2023	**—**	**46,809**	**46,809**

All performance rights and employee shares have a $nil exercise value.

The weighted average remaining contractual life for the performance rights outstanding as at 30 June 2023 was 1.5 years (2022: 2.0 years).

The weighted average fair value of performance rights granted during the year was $12.51 (2022: $15.01).

Note 23. 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.

	2023 $'000	2022 $'000
(Loss)/profit after income tax attributable to owners of PGL	(21,840)	21,851
WANOS[1] used in calculation of basic EPS	177,289	177,291
Effects of dilution from:		
Performance rights[2]	—	46
WANOS[3] used in calculation of diluted EPS	177,289	177,337
Basic EPS (cents per share)	(12.32)	12.32
Diluted EPS (cents per share)	(12.32)	12.32

1. Weighted average number of ordinary shares.
2. Diluted earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year adjusted for the effects of dilutive performance rights not yet converted to shares. As the Group has recorded a loss for the year ended 30 June 2023, the impact of any dilutive performance rights not yet converted to shares is deemed to be nil per AASB 133.
3. The WANOS used in the calculation of the FY22 diluted EPS includes potentially dilutive ordinary shares under the PEXA LTI Plan.

Note 24. 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 2023, Executive KMP are assessed to be the Chief Executive Officer, Chief Financial Officer and the Chief Customer and Commercial Officer, who replaced the Chief Operating Officer during the period.

Executive KMP	2023 $'000	2022 $'000
Short-term employee benefits	2,902	3,098
Share based payments	348	387
Other long-term benefits	18	22
Post-employment benefits – superannuation	76	74
Total	**3,344**	**3,581**

Directors – Non-executive KMP	2023 $'000	2022 $'000
Short-term employee benefits	1,482	1,269
Post-employment benefits – superannuation	88	56
Total	**1,570**	**1,325**

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 2023 (30 June 2022: 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	2023 $'000	2022 $'000
Link Group (expenses for share registry management)	(91)	(207)
Commonwealth Bank of Australia (revenue)	19,569	19,782

On 10 January 2023 Link Group completed an in-specie distribution of its shareholdings in PEXA and ceased to be a shareholder and are therefore no longer considered to be a related party.

Commonwealth Bank of Australia (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 2023	% of equity interest 2022
PEXA Group Limited	Australia		
PEXA Australia Group Pty Ltd* (formerly known as 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%
PEXA International Pty Ltd* (formerly known as ACN 634 025 853 Pty Ltd)	Australia	100%	100%
DigCom UK Holdings Ltd	UK	100%	100%
Digital Completion UK Ltd	UK	100%	100%
Optima Legal Services Ltd	UK	100%	–
PEXA Cell[1]	Guernsey	100%	–
PEXA Insights (Holdings) Pty Ltd*	Australia	100%	100%
PEXA Insights Pty Ltd*	Australia	100%	100%
I.D. Consulting Pty Ltd*	Australia	100%	–
I.D. (informed decisions) Pty Ltd*	Australia	100%	–
PEXA SettleAssist Pty Ltd	Australia	100%	100%
Slate Analytics Pty Ltd	Australia	70%	–
PX Ventures (Holdings) Pty Ltd*	Australia	100%	100%
PX Ventures Pty Ltd*	Australia	100%	100%

* An ASIC-approved Deed of Cross Guarantee has been entered into by PEXA Group Limited (the parent entity) and these entities. Refer to Note 30 'Deed of Cross Guarantee'.

1. In the year ended 30 June 2023 the Group established a captive insurance Protected Cell Company (the 'PEXA Cell') within Mangrove Insurance Guernsey PCC Limited (a Marsh Insurance related entity).

Note 25. Investment in Associates

Investments during the year are detailed below:

Landchecker

During the year, Digital Growth provided additional investment funds into Landchecker Holdings Pty Ltd (Landchecker) on the following dates:

- 29 July 2022 - $570,000
- 1 December 2022 - $418,000

The Group's share ownership percentage remained constant at 38%.

Elula

No change in the ownership holding of Elula Holdings Pty Ltd (Elula) since 30 June 2022.

The Group's share ownership percentage remained constant at 26.5%.

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

	2023 $'000	2022 $'000
The Group's share of net assets of investment in associates	2,123	2,549
Goodwill	27,230	27,093
The Group's carrying amount of investment in associates	29,353	29,642
The Group's share of net (loss) after tax	(1,304)	(162)
The Group's share of net (loss) after tax and total comprehensive income	(1,304)	(162)

At 30 June 2023 the investments have also been subject to impairment testing. The table below summarises key assumptions used in impairment tests for the year ended 30 June 2023. Refer to Note 13 of the financial statements for further details on the Group's impairment assessment process.

	Discount rate	TV Growth rate (%)/EBITDA Multiples ('x')	Forecast Cash Flow Period (Years)
	2023	2023	2023
Landchecker	20.0%	20.0x	8Y
Elula	20.0%	20.0x	8Y

Sensitivities to the key assumptions 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 impairment assessment being approximately equal to the carrying value of the investment.

Change in assumption resulting in recoverable amount being equivalent to carrying value – increase/(decrease)	Discount rate 2023	TV Growth rate (%)/EBITDA Multiples ('x') 2023	Cash flow forecast 2023
Landchecker	(3.7%)	(4.4x)	(39%)
Elula	(1.7%)	(2.3x)	(41%)

Note 26. Events After Balance Sheet Date

Land Insight acquisition

On 3 July 2023, the Group acquired 100% of the issued share capital of Land Insight & Resources Holdings Pty Ltd (Land Insight) for circa $2 million. Land Insight offers comprehensive environmental risk information at a property level, Australia-wide. The business sells reports and data that enable government entities and corporations to quantify and evaluate the risk of natural hazards, pollution, and ground hazards in relation to land and property, helping them to identify, prepare, and plan for disasters. The acquisition strengthens the Group's offering in the value and use of land segment, as well as accelerating the Group's proposition in the growing climate resilience solutions market. This acquisition was funded from the Group's existing cash reserves. The accounting treatment for this acquisition is ongoing at the date of the financial statements and additional disclosure will be provided during the year ending 30 June 2024.

No other event or circumstance has arisen since 30 June 2023 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.

Note 27. Commitments and Contingencies

Capital commitments

The Group had no quantifiable capital commitments at 30 June 2023 (30 June 2022: 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 $2.0 million per claim. No amounts relating to the PRSG have been provided for in the 30 June 2023 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 2023.

Optima acquisition

As part of the condition precedent to the transaction, the United Kingdom Solicitors Regulatory Authority (SRA) required that a Professional Indemnity insurance policy (SRA approved) be in place at the transaction date. To facilitate this requirement the Group established a captive insurance Protected Cell Company (the 'PEXA Cell') within Mangrove Insurance Guernsey PCC Limited (a Marsh Insurance related entity) on commercial terms (the 'Arrangement') to provide professional indemnity insurance (with regulatory approval). The commercial terms negotiated remain within the Group's risk appetite and financial capacity.

Contingent asset

In late FY23, the Group's UK business Optima Legal had a system outage due to a cyber incident at a third party provider. As a result of the incident the Group lost revenue and incurred additional operating costs. Optima Legal holds Cyber insurance and has put in a claim against this insurance. While the claim is expected to be successful, the amount of the claim remains uncertain due to the early nature of these discussions with the insurance company. The claim is not expected to be material to the Group's results.

Note 28. Auditor's Remuneration

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

Ernst & Young	**2023 $**	**2022 $**
Audit and assurance services		
Category 1 – Ernst & Young Australia – Group and statutory audit fees	479,020	350,000
Category 1 – Ernst & Young United Kingdom – Statutory audit fees	191,000	—
Category 1 – Total	**670,020**	**350,000**
Category 2 – Other assurance services	—	—
Category 3 – Other services	514,750	245,500
Total auditor remuneration	**1,184,770**	**595,500**

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.

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 relate to fees paid to Ernst & Young Port Jackson Partners. Ernst & Young Port Jackson Partners were engaged to assist the Group in work related to the e-conveyancing interoperability framework.

The Group has processes in place to maintain the independence of our external auditor, including the nature of the expenditure on non-audit services. Ernst & Young also have specific processes and policies in place to ensure auditor independence. Ernst & Young has provided an auditor's independence declaration to the Directors of the Group confirming that the provision of the other services has not impaired their independence as auditors.

Note 29. Information Relating to PEXA Group Limited (The Parent)

	2023 $'000	2022 $'000
Current assets	4,071	8,518
Total assets	1,751,509	1,761,136
Current liabilities	—	—
Total liabilities	(533,056)	(528,184)
Issued share capital	(1,267,600)	(1,268,362)
Equity reserves	(3,538)	(8,308)
Retained earnings	52,685	43,718
(Loss) of the parent entity	(15,235)	(11,792)
Total comprehensive (loss) of the parent entity	(15,235)	(11,792)

The Parent had no commitments as at 30 June 2023 (2022: nil).

Note 30. Deed of Cross Guarantee (the Deed)

The subsidiaries identified with the following symbol '*' in Note 24 (c) are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the Deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

These subsidiaries and PEXA Group Limited, together referred to as the 'Closed Group', originally entered into the Deed on 18 May 2023. The effect of the Deed is that each party to it has guaranteed to pay any deficiency in the event of the winding up of any of the entities in the Closed Group. As the Closed Group did not exist in the prior year there are no comparatives.

The Consolidated Statement of Comprehensive Income of the entities which are members of the Closed Group is as follows:

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2023	2023 $'000
Profit before income tax	23,054
Income tax (expense)	(26,201)
(Loss) after income tax	**(3,147)**
Accumulated profit at the beginning of the financial period	367
(Loss) for the period	(3,147)
Accumulated (loss) at the end of the financial period	**(2,780)**

Consolidated Statement of Financial Position

For the year ended 30 June 2023	2023 $'000
ASSETS	
Current Assets	
Cash and cash equivalents	26,887
Trade and other receivables	4,890
Prepayments and other assets	11,265
Other financial assets	27,249
Total Current Assets	**70,291**
Non-Current Assets	
Prepayments	2,996
Property, plant and equipment	2,277
Related party receivables	67,993
Intangible assets	1,512,893
Right-of-use assets	6,042
Other financial assets	2,807
Investments in related parties	7,268
Investments in associates	29,353
Total Non-Current Assets	**1,631,629**
Total Assets	**1,701,920**
LIABILITIES	
Current Liabilities	
Trade and other payables	55,418
Contract liabilities	3,442
Provisions	7,542
Lease liabilities	2,004
Total Current Liabilities	**68,406**
Non-Current Liabilities	
Provisions	727
Interest-bearing loans and borrowings	298,743
Lease liabilities	5,621
Deferred tax liabilities	60,065
Total Non-Current Liabilities	**365,156**
Total Liabilities	**433,562**
Net Assets	**1,268,358**
EQUITY	
Contributed equity	1,267,600
Reserves	3,538
Accumulated losses	(2,780)
Total Equity	**1,268,358**

At 30 June 2023, the Consolidated Statement of Financial Position reflected an excess of current assets over current liabilities of $1.9 million.

The Directors are not aware of any uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

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 74 to 129 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 2023 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. At the date of the declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 24 (c) will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in Note 30.
d. This declaration has been made after receiving the declarations required to be made to the Directors by the Chief Executive Officer and Chief Financial and Growth Officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2023.

On behalf of the Board

Mark Joiner
Chairman

25 August 2023

INDEPENDENT AUDITOR'S 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 2023, 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 2023 and of its consolidated financial performance for the year ended on that date; and

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

Basis for opinion

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

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

Key audit matters

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

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

Capitalisation of intangible software assets

Why significant	How our audit addressed the key audit matter
The carrying value of intangible software assets (including in-house software assets) is $502.3 million, as disclosed in Note 13 of the financial report. The Group's income is mostly 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 $64.3 million. The capitalisation of intangible software assets (including in-house 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 13 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 costs incurred on these projects met the capitalisation requirements of Australian Accounting Standards. ▶ We met with management, including project managers, to understand project status, assess the feasibility of project completion and consider the timing if future economic benefits. ▶ 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, as well as recalculating the amortisation expense for the year. ▶ We assessed the consistency of amounts spent and 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 the judgements associated with the capitalisation of intangible software assets.

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Impairment testing of goodwill and intangible assets

Why significant	How our audit addressed the key audit matter
The carrying value of goodwill of $719.1 million and other intangible assets (including software assets, customer relationships, brand and licences) of $831.8 million as disclosed in Note 13 represent 92% of the total assets of the Group. At each reporting period, 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, PEXA International and certain assets in the PEXA Digital Growth Cash Generating Units (CGUs). The estimates are based on conditions existing and emerging at 30 June 2023. The impairment assessments include numerous assumptions and estimates that will be impacted by future performance and market conditions. Key assumptions, judgements and estimates applied in the Group's impairment assessment are set out in Note 13.	Our audit procedures included 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. We performed the following procedures, amongst others: ▶ Assessed the appropriateness of the impairment testing assumptions and methodologies applied in the determination of recoverable amount. ▶ 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, timeline of operational activity (where applicable), overhead costs and discount rates to external independent data, where relevant. ▶ 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 13 of the financial report.

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PEXA Exchange revenue recognition and its reliance on automated processes and controls

Why significant	How our audit addressed the key audit matter
▶ The Group recognised $281.7 million in Revenue from contracts with Customers for the year ended 30 June 2023. ▶ The Group's disclosures regarding revenue and transactional amounts are included in Note 4 of the financial report. Revenue derived from the PEXA Exchange represents 95% of the total revenue of the Group. ▶ The Group's PEXA Exchange revenue recognition processes are heavily reliant on IT systems with automated processes and application controls over the capturing, valuing and recording of revenue transactions. ▶ The recognition of PEXA Exchange revenue was considered a key audit matter due to the significance of PEXA Exchange revenue to the financial report, its reliance on IT systems associated with the PEXA Exchange and the level of audit effort required.	Our audit procedures included the following: ▶ We involved our IT specialists in assessing the design and operating effectiveness of relevant controls over the capturing, valuing and recording of PEXA Exchange revenue transactions, including the relevant automated IT controls. ▶ We examined the processes and controls relating to the determination of PEXA Exchange revenue recognition. ▶ For PEXA Exchange revenue, we selected a sample of revenue transactions recorded during the year and obtained supporting evidence such as contractual pricing agreements, evidence of completion of performance obligations and evidence of customer payment. ▶ We used data analytic techniques to assess PEXA Exchange revenue transactions and the relationship with trade receivables and cash receipts. We also assessed the Group's accounting policies and disclosures set out in Notes 2(f) 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 2023 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.

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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.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 2023.

In our opinion, the Remuneration Report of PEXA Group Limited for the year ended 30 June 2023, 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
25 August 2023

SHAREHOLDER INFORMATION

The following additional information is provided in accordance with ASX Listing Rules. The shareholder information set out below was applicable as at 14 August 2023.

Share capital and voting rights

As at 14 August 2023, the Company has 117,325,788 fully paid ordinary shares on issue which were held by 28,268 shareholders.

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:

Distribution of equity securities

	Ordinary shares			
Number of equity securities held	**Securities**	**%**	**No. of holders**	**%**
1 – 1,000	6,706,038	3.78	21,871	77.24
1,001 – 5,000	11,516,084	6.49	5,550	19.60
5,001 – 10,000	3,871,529	2.18	557	1.97
10,001 – 100,000	6,540,554	3.69	298	1.05
100,001 and over	148,691,583	83.85	41	0.14
Total	**177,325,788**	**100.00**	**28,317**	**100.00**

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

Shareholder Information continued

Twenty largest shareholders

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**
COMMONWEALTH BANK OF AUSTRALIA	42,380,864	23.90
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	26,498,728	14.94
CITICORP NOMINEES PTY LIMITED	23,427,917	13.21
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	17,834,047	10.06
NATIONAL NOMINEES LIMITED	14,123,875	7.96
AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	3,298,856	1.86
MUTUAL TRUST PTY LTD	2,381,224	1.34
BNP PARIBAS NOMS PTY LTD	2,200,985	1.24
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,051,201	1.16
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,419,295	0.80
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO EDA	1,343,587	0.76
BNP PARIBAS NOMINEES PTY LTD	1,223,925	0.69
GLENN LEE KING	1,155,637	0.65
BOND STREET CUSTODIANS LIMITED	967,166	0.55
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD	749,819	0.42
MIRRABOOKA INVESTMENTS LIMITED	686,739	0.39
NETWEALTH INVESTMENTS LIMITED	597,477	0.34
RICHARD GILLEN MOORE	577,818	0.33
WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED	500,000	0.28
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	494,649	0.28
Total Top 20 holders	**143,913,809**	**81.16**
Total remaining holders	**33,411,979**	**18.84**

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	
	No. held	% of issued Shares
COMMONWEALTH BANK OF AUSTRALIA	42,380,864	23.90

Restricted securities

The number of shares under voluntary escrow, relating to the Employee Gift Offer, is 11,387 ordinary shares.

Shares acquired under the Employee Gift Offer are under voluntary escrow until the earlier of three years from the date of issue or the employee ceasing to be an employee of the Group. In FY23, 3,481 shares have been released from voluntary escrow under the terms of the Employee Gift Offer.

Following FY23 results, 11,387 shares will remain in voluntary 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.

CORPORATE DIRECTORY

Annual General Meeting

The Annual General Meeting will be held at 10.00am (AEDT) on Friday, 24 November 2023.

Company Secretary

Alice Morrison

Naomi Dawson

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