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.

Notes to the Financial Statements continued

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.

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.

Notes to the Financial Statements continued

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	TV Growth rate (%)/EBITDA Multiples ('x')	Cash flow forecast
	2023	2023	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