ABN 23 629 193 764 | PEXA Group Limited

PEXA GROUP LIMITED

APPENDIX 4D – HALF YEAR REPORT GIVEN TO ASX UNDER LISTING RULE 4.2A.3 FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2022

Item	Contents
1	Details of the reporting period
2	Results for announcement to the market
3	Net tangible assets per security
4	Other information

1. DETAILS OF THE REPORTING PERIOD

Reporting period: 6 month period ended 31 December 2022

Previous corresponding period: 6 month period ended 31 December 2021

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Up/down	% change	2022 $'000	2021 $'000
Revenue from ordinary activities	(4,564)	(3.1%)	140,900	145,464
Net profit from ordinary activities after tax for the period attributable to members	(5,713)	(59.1%)	3,951	9,664
Total comprehensive income for the period attributable to members	(5,571)	(57.6%)	4,094	9,665

Dividend: The company has not declared a dividend for the 6 month period ended 31 December 2022.

Brief explanation of any of the figures reported above necessary to enable the figures to be understood: Refer the “Review of Operations” section of the Directors’ Report within the attached half-year Financial Statements.

3. NET TANGIBLE ASSETS PER SECURITY

	% change	31 December 2022 dollars per security	31 December 2021 dollars per security
Net tangible assets per security	(11.2%)	(1.59)	(1.43)

Net tangible assets are defined as the net assets of PEXA Group Limited less intangible assets. A large proportion of the Group's assets are intangible in nature. These assets are excluded from the calculation of net tangible assets per security resulting in the negative outcome shown above.

4. OTHER INFORMATION

Details of entities over which control has been gained or lost during the reporting period:

Controlled entity	% interest 31 December 2022	% interest 30 June 2022
Slate Analytics Pty Ltd	70%	N/A
Optima Legal Services Limited	100%	N/A
I.D. Consulting Pty Ltd	100%	N/A
I.D. (Informed Decisions) Pty Ltd	100%	N/A

Details of individual and total dividends or distributions and dividend or distribution payments: N/A

Details of any dividend or distribution reinvestment plans in operation: N/A

Details of associates and joint venture entities*:*

Associates	% interest 31 December 2022	% interest 30 June 2022
Landchecker Holdings Pty Ltd	38%	38%
Elula Holdings Pty Ltd	26.5%	26.5%

Details of associates' contributions to net profit / (loss) are disclosed in the Consolidated Statement of Comprehensive Income in the Consolidated Financial Statements.

There are no joint ventures entities.

Any other information required pursuant to ASX Listing Rule 4.3A not contained in this Appendix 4D is found in the attached half year Financial Statements, ASX announcement and investor presentation lodged with this document.

PEXA Group Limited

ACN 629 193 764

Half-year financial report for the half-year ended 31 December 2022

Contents

Directors' Report

Corporate Information

PEXA Group Limited was incorporated on 4 October 2018. The consolidated financial statements of PEXA Group Limited and its subsidiaries (PEXA or collectively, the Group) for the half-year ended 31 December 2022, were authorised for issue in accordance with a resolution of the directors on 23 February 2023.

PEXA Group Limited (the parent company) is a public company, incorporated and domiciled in Australia, and listed on the Australian Securities Exchange (ASX) under the stock ticker "PXA". The registered office is located at Tower 4, Level 16 727 Collins Street Melbourne 3008.

The Directors' report is not part of the half-year financial report.

Director

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

Mark Joiner (Independent Chairperson)

John Hawkins (Non-executive Director)

Glenn King (Managing Director and Group Chief Executive Officer (CEO))

Kirstin Ferguson (Independent Non-executive Director)

Melanie Willis (Independent Non-executive Director)

Vivek Bhatia (Non-executive Director)

Paul Rickard (Non-executive Director)

Helen Silver (Independent Non-executive Director)

Company Secretaries

Andrew Metcalfe

Naomi Dawson

Registered office

Level 16, Tower 4
727 Collins Street
Melbourne Vic 3008

Auditors

Ernst & Young
8 Exhibition Street
Melbourne Victoria 3000

PEXA Group Limited
ACN 629 193 764
Directors' Report
For the half-year ended 31 December 2022

Principal activities

Conceived and established more than a decade ago to enable the phasing out of inefficient paper-based property settlements, PEXA today operates the leading digital property settlements platform in Australia (the PEXA Exchange) and is evolving into an international platform business that seeks to redefine the property experience by leveraging its experience, intellectual property, technology, data and partnerships.

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

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

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

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

Additional Strategic Growth Businesses

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

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

PEXA's strategy is for it to expand its business into new products and services and to extend its digital property settlements platform knowledge in new geographies. PEXA is pursuing these opportunities through two new growth businesses, PEXA International and PEXA Digital Growth (formerly PEXA Insights and PX Ventures).

- **PEXA Digital Growth:** PEXA Digital Growth seeks to provide innovative data insights and digital services, transforming the experience of developing, buying and selling, settling, owning and servicing properties. It aims to expand PEXA's ambition by delivering a greater "share of wallet" with existing customers, provide connection to strategically important new segments and subject to relevant approvals, re-monetise data multiple times.
- **PEXA International**: As a leading operational digital property settlements platform that completes both lodgement and settlement, PEXA will seek to bring digital property settlement solutions to other jurisdictions, based on PEXA's experience in the Australian market (with regulators, practitioners and financial institutions) in the development of those solutions. PEXA is working with technology build partner ThoughtWorks to develop an "international" version of its PEXA Exchange platform that is intended to provide a digital property settlement solution for new jurisdictions. PEXA has chosen the UK (through England and Wales) as the first jurisdiction for its targeted international expansion. It has established a management presence in the UK, successfully completed testing of the PEXA settlement payment solution with the Bank of England and has gone live with two lenders (Hinckley & Rugby Building Society and Shawbrook Bank) processing some remortgages in late 2022. It has also acquired leading UK remortgage processing firm, Optima Legal, with planning underway to integrate Optima Legal and PEXA Platform technology.

Review of Operations

Summary Income Statement	1HFY23	1HFY22	Variance	
Revenue	140.9	145.5	(4.6)	(3%)
Operating costs incl. cost of sales	(88.5)	(69.5)	(19.0)	27%
Operating EBITDA[1]	**52.4**	**76.0**	**(23.6)**	**(31%)**
One-off non-operating costs	(7.4)	(23.7)	+16.3	(69%)
EBITDA[2]	**45.0**	**52.2**	**(7.3)**	**(14%)**
Depreciation & amortisation	(36.0)	(34.1)	(2.0)	6%
Net finance expense	(3.1)	(2.7)	(0.4)	13%
Net Profit Before Tax (NPBT)	**5.8**	**15.4**	**(9.6)**	**(62%)**
Income tax expense	(1.9)	(5.8)	+3.9	(67%)
Net Profit After Tax (NPAT)	**4.0**	**9.7**	**(5.7)**	**(59%)**

Notes to Summary Income Statement

1. Operating EBITDA – Earnings Before Interest, Taxation, Depreciation, Amortisation and one-off non-operating costs.
2. EBITDA – Earnings Before Interest, Taxation, Depreciation and Amortisation.

Notes 1 and 2 above are 'non-IFRS financial information' presented under ASIC Regulatory Guide 230 'Disclosing non-IFRS financial information'. The Group believes this non-IFRS financial information provides useful information to users in measuring the financial performance and condition of the Group. The non-IFRS financial information does not have standardised meaning prescribed by Australia Accounting Standards. The non-IFRS information has not been subject to audit or review.

The Group reported a statutory net profit after tax of $4.0 million for the half-year ended 31 December 2022, compared to a net profit after tax of $9.7 million in the prior half-year period.

PEXA Group revenue declined by 3 per cent ($4.6 million) from the half-year ended 31 December 2021, which was a function of:

- $9.7m (7 per cent) decline in PEXA Exchange revenue, made up of:
    - 12 per cent decline in market volumes from 2.5 million in the half-year to 31 December 2021 to 2.2 million in the half-year to 31 December 2022, partly offset by
    - 3 per cent growth in market share, from 85 per cent to 88 per cent in the half-year to 31 December 2022, and
    - 2 per cent increase in average price per transaction, driven by a 5% CPI fee increases on 1 July 2022 offset by negative product mix from higher priced transfers to lower priced refinancing transactions.

  This decrease was partly offset by:

- $5.2m increase in revenue from PEXA Digital Growth and PEXA International predominantly from businesses acquired during the half year ended 31 December 2022 (.ID and Optima Legal).

Operating expenses including cost of goods sold grew by $19.0 million (27 per cent) in the half-year to 31 December 2022, made up of:

- PEXA Exchange ($2.4 million): an 8 per cent ($3.7 million) increase in operating expenses, driven by CPI increases and increased headcount partly offset by an 8 per cent ($1.3 million) decline in cost of sales, driven by lower Exchange volumes,
- PEXA Digital Growth ($9.4 million): an increase of 329% due to increased investment for growth and the inclusion of 3 months of .ID costs, and
- PEXA International ($7.3 million): an increase of 152% due to increased investment for growth and the inclusion of 1 month of Optima Legal costs.

This resulted in a $23.6 million (31 per cent) decrease in Operating EBITDA to $52.4 million in the half-year to 31 December 2022.

Other non-operating costs decreased by $16.3 million (69 per cent) in the half-year to 31 December 2022, made up by:

- PEXA Exchange decreased by $22.2 million due to $23.5m of IPO transaction costs incurred in the half-year to 31 December 2021, partly offset by

- PEXA Digital Growth increased by ($2.3) million due to $0.8 million of M&A consulting fees, $0.6 million share of losses from investments in associates and $0.9 million of other non-operating expenses in the half-year to 31 December 2022, and
- PEXA International increased by ($3.6) million predominantly due to $3.4 million of M&A consulting fees in the half-year to 31 December 2022.

This resulted in a $7.3 million (14 per cent) decrease in EBITDA to $45.0 million in the half-year to 31 December 2022.

Depreciation and amortisation increased by $2.0 million (6 per cent) predominantly due to a $2.2 million increase in amortisation of intangible assets (from higher levels of capitalised software development). The $0.4 million increase in net finance expense was due to an increasing interest rate environment in the half-year to 31 December 2022.

Future Developments

Refer to the Additional Strategic Growth Businesses section above for information on the likely developments and future prospects of the Group.

Dividends

No dividends were paid or declared during the half-year ended 31 December 2022 (2021: nil).

Rounding of amounts

Amounts within the directors' report have been rounded to the nearest $1,000 (unless otherwise stated) under the option available to the Group under ASIC Corporations Instrument 2016/191 pursuant to sections 341(1) and 992(B) of the Corporations Act 2001.

Events after reporting period

Subsequent to 31 December 2022, following the In-Specie distribution of PEXA shares by Link Group, PEXA's major shareholder at the time, the PEXA Group became eligible for inclusion in the ASX200 on13 January 2023.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect:

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

Auditors' Independence Declaration

The auditors' independence declaration for the half-year ended 31 December 2022 as required under section 307C of the Corporations Act 2001 has been received and can be found on page 5.

Signed in accordance with a resolution of the directors.

....
Mark Joiner
Chairperson
23 February 2023

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

As lead auditor for the review of the half-year financial report of PEXA Group Limited for the half-year ended 31 December 2022, I declare to the best of my knowledge and belief, there have been:

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

b. No contraventions of any applicable code of professional conduct in relation to the review; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Ernst & Young

Christopher Reid
Partner
23 February 2023

Consolidated Statement of Comprehensive Income

	Note	31 December 2022 $'000	31 December 2021 $'000
Revenue	4,2a	140,900	145,464
Cost of sales		(17,518)	(17,969)
Gross profit		**123,382**	**127,495**
Product development	4	(24,543)	(16,295)
Sales and marketing	4	(16,521)	(11,174)
General and administrative	4	(36,438)	(47,789)
Depreciation and amortisation	4	(34,683)	(32,865)
Depreciation of right of use assets		(924)	(972)
Unrealised foreign exchange loss		(273)	-
Share of loss after tax from investments in associates		(641)	-
Profit before interest and tax		**9,359**	**18,400**
Interest income		3,288	170
Interest expense on loans and borrowings - other		(6,151)	(2,617)
Finance costs associated with leases		(212)	(266)
Amortisation of debt raising transaction costs		(440)	(252)
Profit before income tax		**5,844**	**15,435**
Income tax (expense)	7	(1,893)	(5,771)
Profit after income tax		**3,951**	**9,664**
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		143	1
Total comprehensive income		**4,094**	**9,665**
Basic earnings per share (cents)	12	2.23	5.45
Diluted earnings per share (cents)	12	2.23	5.45

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

Consolidated Statement of Financial Position

	Note	31 December 2022 $'000	30 June 2022 $'000
ASSETS			
Current assets			
Cash and cash equivalents		39,805	75,391
Trade and other receivables		4,666	1,442
Prepayments and other assets		15,407	17,323
Other financial assets		3,353	24,141
Total Current Assets		**63,231**	**118,297**
Non-Current assets			
Prepayments		3,543	4,071
Property, plant and equipment		1,801	1,607
Intangible assets	8	1,550,917	1,499,965
Right of use assets		6,926	7,850
Other non-current financial assets		1,329	829
Investments in associates		30,015	29,642
Total Non-Current Assets		**1,594,531**	**1,543,964**
Total Assets		**1,657,762**	**1,662,261**
LIABILITIES			
Current liabilities			
Trade and other payables		30,686	49,499
Provisions		8,286	6,735
Unearned revenue		4,520	-
Lease liabilities		1,921	1,882
Total Current Liabilities		**45,413**	**58,116**
Non-Current Liabilities			
Provisions		1,610	693
Interest bearing loans and borrowings		298,428	297,989
Lease liabilities		6,654	7,625
Other financial liabilities		3,000	-
Deferred tax liabilities	7d	33,757	33,137
Total Non-Current Liabilities		**343,449**	**339,444**
Total Liabilities		**388,862**	**397,560**
Net Assets		**1,268,900**	**1,264,701**
EQUITY			
Contributed equity	11	1,267,299	1,268,362
Reserves	10	9,762	8,308
Foreign Currency Translation reserve		32	175
Accumulated losses		(8,193)	(12,144)
Total Equity		**1,268,900**	**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

	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**	**-**	**(33,994)**	**1,031,793**
Profit for the period	-	-	-	9,664	9,664
Exchange differences on translation of foreign operations	-	-	(1)	-	(1)
Transactions with owners in their capacity as owners:					
Issue of new shares associated with Initial Public Offering (IPO) (Note 11)	214,661	-	-	-	214,661
Equity Issuance costs (net of tax) (Note 11)	(4,497)	-	-	-	(4,497)
Share based payment expense (Note 10)	-	378	-		378
As at 31 December 2021	**1,268,362**	**7,967**	**(1)**	**(24,330)**	**1,251,998**
As at 1 July 2022	**1,268,362**	**8,308**	**175**	**(12,144)**	**1,264,701**
Profit for the period	-	-	-	3,951	3,951
Exchange differences on translation of foreign operations	-	-	(143)	-	(143)
Transactions with owners in their capacity as owners:					
PEXA shares acquired on market for Equity plans (Note 11)	(1,063)	-	-	-	(1,063)
Share based payment expense (Note 10)	-	1,454	-	-	1,454
As at 31 December 2022	**1,267,299**	**9,762**	**32**	**(8,193)**	**1,268,900**

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

Consolidated Statement of Cash Flows

Consolidated Statement of Cash Flows	Note	31 December 2022 $'000	31 December 2021 $'000
Cash from operating activities:			
Receipts from customers (inclusive of GST)		155,968	160,081
Interest received		3,289	170
Payments to suppliers and employees (inclusive of GST)		(102,764)	(123,746)
Interest paid on loans / lease liabilities		(6,362)	(2,882)
Net cash flows from operating activities		**50,131**	**33,623**
Cash flows from investing activities:			
Development of intangible assets	8	(32,422)	(21,574)
Purchase of property, plant and equipment		(387)	(640)
Payments for acquisition of subsidiaries, net of cash acquired	6	(41,857)	-
Acquisition of Slate Intangible assets	8	(7,268)	-
Investments in other non-current financial assets		(500)	(300)
Investments in associates		(1,015)	-
Net cash flows (used in) investing activities		**(83,449)**	**(22,514)**
Cash flows from financing activities:			
Share Capital raise at IPO		-	214,661
Repayment of Shareholder loans		-	(192,982)
Payment of equity issuance costs		-	(4,908)
PEXA shares acquired on-market	11	(1,063)	-
Payment of principal portion of lease liabilities		(933)	(885)
Net cash flows (used in) / from financing activities		**(1,996)**	**15,886**
Net (decrease) / increase in cash and cash equivalents held		**(35,314)**	**26,995**
Impact of changes in foreign exchange rates		(272)	-
Cash and cash equivalents at 1 July		75,391	51,517
Cash and cash equivalents at 31 December		**39,805**	**78,512**

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

Notes to the Financial Statements

1 Corporate Information

(a) Reporting Entity

The interim condensed consolidated financial report comprises that of PEXA Group Limited and its subsidiaries (the Group) for the half-year ended 31 December 2022. It was authorised for issue in accordance with a resolution of the directors on 23 February 2023.

2 Summary of Significant Accounting Policies

(a) Basis of preparation and statement of compliance

The interim condensed consolidated financial statements have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 30 June 2022.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2022 except for the addition of a new policy driven by the acquisition of .ID Consulting Pty Ltd and .ID (Informed Decisions) Pty Ltd (collectively ".ID") for Subscription revenue (AASB15).

New and amended standards that became effective as of 1 July 2022 did not have a material impact on the financial statements of the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's accounting policies. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Australian Dollars and 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 pursuant to sections 341(1) and 992(B) of the Corporations Act 2001.

Subscription Revenue

The Group, through .ID, now 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 unearned revenue in the Consolidated Balance Sheet.

(b) Going concern

The interim condensed consolidated 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.

3 Significant Accounting Judgements, Estimates and Assumptions

In preparing these interim condensed financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those described in the last annual consolidated financial statements.

4 Revenue, Income and Expenses

	31 December 2022 $'000	31 December 2021 $'000
Revenue from contracts with customers		
Transfers - Australia	102,433	115,328
Refinances – Australia	23,750	21,163
– United Kingdom (Note 6)	1,787	-
Other Exchange Transactions - Australia	8,039	7,377
Subscription Revenue - Australia	2,758	-
Other Products - Australia	2,133	1,596
Total revenue from contracts with customers	**140,900**	**145,464**
Product development expenses[1]		
Employee benefit expenses[2]	(14,213)	(8,016)
IT and technology costs	(10,330)	(8,279)
	(24,543)	**(16,295)**
Sales and marketing expenses		
Employee benefit expenses[2]	(13,807)	(9,517)
Travel and entertainment	(1,415)	(505)
Sales and marketing	(1,299)	(1,152)
	(16,521)	**(11,174)**
General and administrative expenses		
Employee benefit expenses[2]	(14,112)	(13,228)
Share based payment expenses (Note 10)[2]	(1,454)	(378)
Professional fees	(7,825)	(3,984)
M&A consulting fees	(4,149)	-
Occupancy expenses	(488)	(200)
Transaction costs associated with IPO (excluding Employee benefit costs)[3]	-	(23,545)
Insurance (including Directors and officers and public offering of securities)	(3,187)	(2,890)
Other[4]	(5,223)	(3,564)
	(36,438)	**(47,789)**
Depreciation, amortisation and impairment		
Depreciation of property, plant and equipment	(346)	(300)
Amortisation of Intangibles	(34,337)	(32,565)
	(34,683)	**(32,865)**

1. Product development expenses relate to amounts incurred on development of the PEXA Exchange software and the UK Exchange that did not meet the Group's criteria for capitalisation as an intangible asset.
2. Total employee benefits expense for the period was $43.6 million (31 December 2021: $31.1 million).
3. For the period ended 31st December 2021, 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

5 Segment Information

The Group has three reportable operating segments, being:

- **PEXA Exchange**: comprising the Australian Electronic Lodgment 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):** PEXA Digital Growth 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 & I.D. (informed decisions) Pty Ltd on 30 September 2022 as part of this segment's growth (refer Business Combination note 6 for details).
- **PEXA International**: an "international" version of the PEXA Exchange platform that is intended to provide digital property lodgement and settlement solutions for new jurisdictions. PEXA has chosen the UK (through England and Wales) as the first jurisdiction for its international expansion. PEXA acquired Optima Legal Services Limited in the UK on 30 November 2022 as a key step in this expansion (refer Business Combination note 6 for details).

Target customers of the PEXA Exchange are customers who execute Lodgement and Settlement Services Transactions. These include financial institutions lending funds for property purchases and refinances, practitioners representing individual buyers and sellers and property developers. Customers pay fees for each Exchange Transaction lodged via the Exchange. The price the Group charges for these services is regulated and price increases are capped.

Consistent with 30 June 2022, the group has three reportable operating segments. At 31 December 2022, PX Ventures has been merged within PEXA Digital Growth. Previously it wasn't deemed a reportable segment. Information that relates to PX Ventures has been included in PEXA Digital Growth and has been restated for the comparative period.

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) 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 $32.9 million of capitalised in-house software assets and all UK subsidiaries assets and liabilities. PEXA Digital Growth assets are primarily the Group's investments in associates (which are subject to equity accounting), Intangibles (including Slate Intellectual Property) and the assets and liabilities of.ID.

Segment results

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

Six month period to 31 December 2022	PEXA Exchange $'000	PEXA Digital Growth $'000	PEXA International [1] $'000	Total $'000
Segment operating revenue	**135,124**	**3,989**	**1,787**	**140,900**
Cost of sales	(16,300)	(1,031)	(187)	(17,518)
Gross margin	**118,824**	**2,958**	**1,600**	**123,382**
Resource costs	(28,831)	(7,690)	(7,881)	(44,402)
Other operating expenses	(19,127)	(3,486)	(3,993)	(26,606)
Segment EBITDA [2] from core operations	**70,866**	**(8,218)**	**(10,274)**	**52,374**
Non-operating expenses including redundancy and restructure	(1,460)	(861)	(25)	**(2,346)**
M&A transaction professional fees	(13)	(761)	(3,375)	**(4,149)**
Unrealised foreign exchange loss	-	-	(273)	**(273)**
Share of loss after tax from investments in associates	-	(641)	-	**(641)**
Segment EBITDA [2]	**69,393**	**(10,481)**	**(13,947)**	**44,965**
Depreciation and amortisation				(36,047)
Interest expense (net)				(3,074)
Statutory net profit before tax				**5,844**

1. International costs are incurred in subsidiaries in the United Kingdom as well as in Australia (Property Exchange Australia Ltd).

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

Six month period to 31 December 2021	**PEXA Exchange $'000**	**PEXA Digital Growth $'000**	**PEXA International [1] $'000**	**Total $'000**
Segment operating revenue	**144,870**	594	-	145,464
Cost of sales	(17,640)	(329)	-	(17,969)
Gross margin	**127,230**	**265**	**-**	**127,495**
Resource costs	(27,442)	(2,201)	(3,219)	(32,862)
Other operating expenses	(16,779)	(318)	(1,561)	(18,658)
Segment EBITDA [2] from core operations	**83,009**	**(2,254)**	**(4,780)**	**75,975**
Non-operating expenses including redundancy and restructure	(131)	-	-	**(131)**
Transaction costs associated with IPO (excluding employee benefit costs)	(23,545)	-	-	**(23,545)**
Unrealised foreign Exchange (loss)	-	-	(61)	**(61)**
Segment EBITDA [2]	**59,333**	**(2,254)**	**(4,841)**	**52,238**
Depreciation and amortisation				**(34,090)**
Interest expense (net)				**(2,713)**
Statutory net profit before tax				**15,435**

The following table presents assets and liabilities information for the Group's operating segments at 31 December 2022. There are no comparisons provided at 31 December 2021 due to the immateriality of the PEXA International and PEXA Digital Growth segments at the time.

31 December 2022	**PEXA Exchange $'000**	**PEXA Digital Growth $'000**	**PEXA International [1] $'000**	**Total $'000**
Assets	1,504,719	82,561	70,483	**1,657,763**
Liabilities	233,289	68,636	86,937	**388,862**

1. International assets / liabilities include those held in subsidiaries in the United Kingdom as well as International Intangibles developed and held in Australia (PEXA Technology Pty Ltd).
2. EBITDA represents statutory net profit before Interest, Tax, Depreciation and Amortisation and is a non-IFRS measure.

6 Business Combinations

.ID Group (.ID)

On 30 September 2022, the Group acquired 100% of leading Australian grown demographic based consulting group .ID (made up by I.D. Consulting Pty Ltd & I.D. (informed decisions) Pty Ltd), for $20.6 million. .ID is a land information business that provides demographic and economic data and forecasts at the micro-geographic level to over 300 local councils across Australia and New Zealand. .ID comprises a team of skilled demographic and spatial analysts, population forecasters, urban economists, industry sector experts, and technology and data management specialists.

.ID has become the trusted source of demographic and economic information for local councils. Together with PEXA's market-leading data and insights, such as information on internal migration patterns that are key in accurately determining land demand, the PEXA Group will seek to deliver an even greater offering to both local councils and the wider property industry.

The acquisition also includes fixed deferred consideration of $6.0m and a possible (subject to calculation) earn out amount 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 $0.9 million has been included as an employee benefit expense within General and Administration at 31 December 2022.

The acquired business contributed revenue of $2.8 million and a net profit after tax (NPAT) of $0.3 million to the Group for the period since acquisition to 31 December 2022. If the acquisition had occurred on 1 July 2022, the contributed revenue for the six months to 31 December 2022 would have been $5.9 million and a NPAT of $0.8 million.

There have been $0.5 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 provisionally accounted for, while awaiting an external identification and valuation of identifiable intangible assets, using the acquisition method.

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

	$'000
Purchase Consideration	20,639

Net assets acquired of .ID as at the date of acquisition were [1]:

	$'000
Cash	3,041
Trade Debtors	2,283
Other Receivables / Prepayments	394
Fixed assets	158
Intangibles	1
Deferred tax asset	1,060
Trade Creditors	(175)
Unearned Revenue	(4,409)
Provisions	(1,028)
Other Payables / Accruals	(1,202)
Net identifiable assets acquired	123
Goodwill	20,516
Net assets acquired	20,639

(1) All fair values are provisional pending a full purchase price allocation exercise being completed and finalised prior to 30 June 2023.

.ID Group (.ID) (continued)

No Contingent liabilities or guarantees existed at the acquisition date.

The fair value, and the gross amount, of the Trade receivables is $2.3 million and it is expected that the full contractual amounts will be collected.

The Goodwill is allocated entirely to the PEXA Digital Growth segment.

Optima Legal Services Limited (OLSL) – an entity incorporated in the UK.

On 30 November 2022, the Group acquired 100% of OLSL for a payment of GBP 13.6 million (AUD $24.4 million). OLSL is a high-volume re-mortgage processing firm headquartered in Leeds that provides legal services in the UK re-mortgage market. It is one of the largest mortgage processing firms in the UK, with approximately 22% share of the re-mortgage market and direct relationships with six of the UK's top eight lenders.

By integrating PEXA's UK exchange platform into OLSL systems, the PEXA Group aims to demonstrate the benefits of the platform at scale, facilitating the adoption of PEXA's UK 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 OLSL, or via any UK conveyancing firm that integrates with the PEXA UK platform.

The acquired business contributed revenue of AUD $1.8 million and a break even net profit after tax (NPAT) to the Group for the period since acquisition to 31 December 2022. 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 provisionally accounted for, while awaiting an external identification and valuation of identifiable intangible assets, using the acquisition method.

The provisional 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 OLSL as at the date of acquisition were (1):

	$'000
Cash	109
Trade Debtors	1,809
Other Receivables / Prepayments	2,656
Internal Intangibles	48
Trade Creditors	(377)
Other Payables / Accruals	(2,051)
Net identifiable assets acquired	2,194
Goodwill	22,174
Net assets acquired	24,368

No Contingent liabilities or guarantees existed at the acquisition date other than those outlined in Note 14.

The fair value, and the gross amount, of the Trade / other receivables is $4.5 million and it is expected that the full contractual amounts will be collected.

The Goodwill is allocated entirely to the PEXA International segment.

(1) All fair values are provisional pending a full purchase price allocation exercise being completed and finalised prior to 30 June 2023.

7 Income Tax

(a) Income tax (expense)

The major components of income tax expense are:

	31 December 2022 $'000	31 December 2021 $'000
Consolidated Statement of Comprehensive Income		
Current income tax expense		
Current income tax charge	-	-
Deferred income tax expense		
Utilisation of prior year tax losses	-	(4,187)
Relating to deferred tax on temporary differences	(9,550)	(2,854)
Adjustment in respect of prior years	1,281	871
Deferred tax – research & development tax credit	(1,126)	(343)
Recognition of prior period tax losses carried forward	1,236	-
Recognition of current period research & development tax credits carried forward	1,467	742
Recognition of current period tax losses carried forward	4,799	-
Income tax (expense) reported in the Consolidated Statement of Comprehensive Income	**(1,893)**	**(5,771)**

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

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

	31 December 2022 $'000	31 December 2021 $'000
Accounting profit before tax	**5,844**	**15,435**
(Expense) at the Group's statutory tax rate of 30% (2021: 30%)	(1,753)	(4,631)
Adjustments in respect of current income tax		
Effect of tax rates in foreign jurisdictions	(375)	-
Expenditure not allowable for income tax	(2,623)	(2,410)
Adjustment in respect of prior years	1,281	871
Deferred tax – research & development tax credit	(1,126)	(343)
Recognition of prior period tax losses carried forward	1,236	-
Recognition of current period research & development tax credits carried forward	1,467	742
Income tax (expense) reported in the Consolidated Statement of Comprehensive Income	**(1,893)**	**(5,771)**

(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. All transaction costs in the half year ended 31 December 2022 are recognised immediately in the Consolidated Statement of Comprehensive Income.

	31 December 2022 $'000	30 June 2022 $'000
Net deferred tax – debited directly to prepayments[1]	-	171
Net deferred tax – credited directly to share issuance reserve	-	(1,927)
Total	**-**	**(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 as they relate to income taxes levied by the same tax authority. The gross deferred tax balances are shown below:

	Consolidated Statement of Financial Position		**Consolidated Statement of Comprehensive Income**	
	31 December 2022	**30 June 2022**	**31 December 2022**	**31 December 2021**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax liabilities				
Intangible assets	(186,449)	(177,763)	(8,686)	(6,306)
Deferred tax assets				
Transaction costs	9,935	12,875	(2,941)	5,352
Provisions and accruals	10,245	9,312	933	(693)
Carry forward tax losses and tax credits	132,512	122,439	10,074	(2,368)
Total deferred tax assets	**152,692**	**144,626**	**8,066**	**2,291**
Net deferred tax (liabilities)/deferred tax assets	**(33,757)**	**(33,137)**	**(620)**	**(4,015)**

Net deferred tax liabilities in the Consolidated Statement of Profit and Loss includes deferred tax recognised on business combinations in the half year ended 31 December 2022. However, it does not account for adjustments to fair value which are to be undertaken during second half of the year ending 30 June 2023.

The Group is carrying a deferred tax asset of $130.5 million which consists of carry forward Australian tax losses and research & development (R&D) tax credits. Utilisation of these 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.

The Group, via its subsidiary in the United Kingdom, has recognised a deferred tax asset of $2.0 million (£1.2 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 half year ended 31 December 2022.

(e) Members of the tax consolidated group

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 Australian tax consolidated group.

Members of the tax consolidated group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

PEXA Group Limited also has a partially owned subsidiary in Australia, investments in associates in Australia and wholly owned subsidiaries in the United Kingdom which are not part of the Australian tax consolidated group and are standalone taxpayers.

8 Non-Current Assets – Intangible Assets

	Note	Goodwill $'000	Software Assets $'000	In-House Software Assets $'000	Operational Procedures $'000	Customer Relationships $'000	Brand $'000	Licenses $'000	Total $'000
Cost									
At 30 June 2022		693,551	438,900	143,913	1,871	397,451	23,660	14,959	**1,714,305**
Additions		-	-	32,422	-	-	-	-	**32,422**
R&D tax credit adjustment [1]		-	-	5,612	-	-	-	-	**5,612**
Acquisition of subsidiaries	6	42,690	-	75	-	-	-	-	**42,765**
Acquired intellectual property	8 (a)	-	10,268	-	-	-	-	-	**10,268**
Foreign exchange movement		(145)	-	-	-	-	-	-	**(145)**
At 31 December 2022		**736,096**	**449,168**	**182,022**	**1,871**	**397,451**	**23,660**	**14,959**	**1,805,227**
Amortisation and impairment									
At 30 June 2022		-	(101,627)	(19,374)	(1,871)	(91,468)	-	-	**(214,340)**
Amortisation		-	(14,720)	(6,364)	-	(13,248)	-	-	**(34,332)**
R&D tax credit adjustment [1]		-	-	(5,612)	-	-	-	-	**(5,612)**
Acquisition of subsidiaries	6	-	-	(26)	-	-	-	-	**(26)**
At 31 December 2022		**-**	**(116,347)**	**(31,376)**	**(1,871)**	**(104,716)**	**-**	**-**	**(254,310)**
Net book value									
At 30 June 2022		693,551	337,273	124,539	-	305,983	23,660	14,959	**1,499,965**
At 31 December 2022		**736,096**	**332,821**	**150,646**	**-**	**292,735**	**23,660**	**14,959**	**1,550,917**

AASB 136 *Impairment of Assets* requires assets to be assessed for impairment indicators at the end of each reporting period. If any such indicators exist, the recoverable amount of the asset is estimated. No such indicators were identified for the half-year ended 31 December 2022.

[1] Write off fully amortised R&D tax credits

	Goodwill $'000	Software Assets $'000	In-House Software Assets $'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	-	-	21,574	-	-	-	-	**21,574**
At 31 December 2021	**693,551**	**438,900**	**116,923**	**1,871**	**397,451**	**23,660**	**14,959**	**1,687,315**
Amortisation and impairment								
At 30 June 2021	-	(72,239)	(9,689)	(1,537)	(65,017)	-	-	**(148,482)**
Amortisation	-	(1,926)	(17,132)	(304)	(13,203)	-	-	**(32,565)**
At 31 December 2021	**-**	**(74,165)**	**(26,821)**	**(1,841)**	**(78,220)**	**-**	**-**	**(181,047)**
Net book value								
At 30 June 2021	693,551	366,661	85,660	334	332,434	23,660	14,959	**1,517,259**
At 31 December 2021	**693,551**	**364,735**	**90,102**	**30**	**319,231**	**23,660**	**14,959**	**1,506,268**

(a) Slate Analytics Pty Ltd (Slate Analytics)

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. The investment allows PEXA to partner with the University of NSW and FrontierSI in providing valuation and dynamic scenario modelling. Slate Analytics had not traded or operated prior to this investment however it held the intellectual property rights to a range of Automated Valuations Models valued at $10.0 million. No other assets or liabilities within Slate Analytics were acquired as part of the transaction.

The newly incorporated business is currently in the build phase and has not contributed a net profit or loss after tax to the Group for the period since acquisition to 31 December 2022.

There have been $0.3 million of acquisition related costs incurred to date and 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 in four years 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 at 31 December 2022 and will be reassessed each reporting period.

9 Financial Instruments

In the course of its operations the Group is exposed to certain financial risks that could affect the Group's financial position and performance. The table below outlines the financial instruments held by the Group:

	31 December 2022 $'000	30 June 2022 $'000
Financial assets / (liabilities) measured at amortised cost		
Cash and cash equivalents	39,805	75,391
Trade and other receivables	4,666	1,442
Other financial assets[1]	3,353	24,141
Other non-current financial assets	1,329	829
Interest bearing loans and borrowings - other	(298,428)	(297,989)
Trade and other payables[1]	(30,686)	(49,499)
Non-current other financial liabilities	(3,000)	-
Total net financial (liabilities) / assets	**(282,961)**	**(245,685)**

[1] The Group holds funds as a collection agent of lodgement fees for Land Title Registries. These funds are classified as other financial assets with a corresponding payable presented within trade and other payables. These funds are passed on to the Land Title Registries within 3 business days of lodgement. The reduction in the balance held at 31 December 2022 was due to the Christmas and New Year period, which typically sees lower transaction completion volumes as compared to the period around 30 June 2022 (as a comparison, 30 December 2021 was $3.6 million).

The fair values of cash and cash equivalents, trade and other receivables, other financial assets, interest bearing loans and borrowing – related party and trade and other payables are considered to approximate their carrying amounts due to the short term-maturities of these instruments. The carrying value of interest-bearing loans and borrowings – other is also considered to approximate its fair value given they are with third party lenders and have a floating interest rate.

Fair Value Measurement

(a) Fair Value Measurements recognised in the Statement of Financial Position

For financial assets and liabilities carried at fair value, the Group uses the following to categorise the fair value method used, as defined by AASB 13 Fair Value Measurement.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). Valuation inputs include forward curves, discount curves and underlying spot and futures prices.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Group's financial assets and liabilities which are measured at fair value on a recurring basis, are categorised as follows:

Financial Assets and Liabilities measured at fair value	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
As at 31 December 2022					
Other Financial liabilities	(b)	-	-	3,000	3,000
Closing Balance		**-**	**-**	**3,000**	**3,000**

(b) Fair Value of Non-Controlling Interest (Slate Analytics – Other Financial Liabilities)

The Other Financial Liability is detailed in Note 8(a) and has been recognised at fair value at 31 December 2022. Fair value was initially determined by reference to the purchase price paid by the Group for its interest in Slate Analytics.

	31-Dec 2022 $'000	30-Jun 2022 $'000
Movements in Fair Value		
Opening Balance	-	-
Acquisition of Other Financial Liability	3,000	-
Closing Balance	**3,000**	**-**
Classification:		
Current	-	-
Non-Current	3,000	-

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.

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10 Share Based Payments

Reserves – Share Based Payments

	31 December 2022 $'000	31 December 2021 $'000
Opening balance – 1st July	8,308	7,589
Share based payments expense – LTI plan related expenses	1,454	378
31 December	**9,762**	**7,967**

Benefits are provided to employees (including the Chief Executive Officer (CEO), executives and other senior leaders) 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 (LTIP) aim to set and reward a high standard of performance over a three year vesting period, tied to the appropriate company performance measures. For all LTIP plans the participants are not entitled to dividends until exercised.

During the six month period ended 31 December 2022 the Group's Board approved the following additional significant share based payment plans for executives and employees:

a) Executive leadership team (ELT) and senior leaders LTIP

Granted on 20 October 2022 (CEO – 18 November 2022) this LTIP contains a service condition and two performance tranches, one subject to a relative TSR performance condition and one subject to a non-market performance condition - an EPS CAGR. A valuation of the performance rights was completed on this plan.

Key inputs and assumptions

	ELT and Senior Leaders	CEO
Weighted average fair values at the measurement date ($)	13.60	12.12
Dividend yield (%)	0.00	0.00
Expected volatility (%)	37.5	37.5
Risk-free interest rate (%)	3.23	3.16
Closing share price as at the grant date ($)	15.19	14.18
Model used	Combined - Black Scholes option pricing model and Monte Carlo simulation option pricing model	

The weighted average fair value per option granted during the six months ended 31 December 2022 was $11.82.

b) Employee Share plan

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 28 October 2022. The shares have no performance measures. The cost of purchasing the shares of $0.3 million was fully expensed in the period as there are no hurdles to their vesting.

c) Transformers plan

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 cost of purchasing the shares of $0.76 million is being amortised over the vesting period.

11 Contributed Equity

Ordinary shares

	Dec 2022 $'000	June 2022 $'000
Issued and fully paid	1,267,299	1,268,362
Total	**1,267,299**	**1,268,362**

Movement in ordinary shares on issue	No. of shares	$'000
As 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	77,147	-
Equity Issuance costs (net of tax) (2)	-	(4,497)
As at 30 June 2022	**177,325,788**	**1,268,362**
Shares acquired on market for equity plans[3]	-	(1,063)
As at 31 December 2022	**177,325,788**	**1,267,299**

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

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 Company received proceeds of $214.7 million as a result of the IPO (before repayment of outstanding shareholder loans of $193.0 million and underwriting & management fees of $20.1 million for IPO Joint Lead Managers).
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 Note 10 (b) and (c))

12 Earnings per share

Basic earnings per share is calculated as profit 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.

	31 December 2022 $'000	31 December 2021 $'000
Profit after income tax attributable to owners of PGL	3,951	9,664
WANOS (1) used in calculation of basic EPS	177,326	177,257
Effects of dilution from:		
Performance Rights	219	-
WANOS (2) used in calculation of diluted EPS	177,545	177,294
Basic EPS (cents per share)	2.23	5.45
Diluted EPS (cents per share)	2.23	5.45

[1] Weighted average number of ordinary shares.

[2] The WANOS used in the calculation of diluted EPS includes potentially dilutive ordinary shares under the PEXA LTIP.

13 Investments in Associates

Investments during the year are detailed below:

Landchecker

During the half year, PEXA Digital Growth provided additional investment funds into Landchecker Pty Ltd on the following dates:

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

PEXA's share ownership percentage remained constant at 38%.

Elula

No change in the ownership holding of Elula since 30 June 2022.

PEXA's share ownership percentage remained constant at 26.5%.

14 Commitments & Contingencies

Capital commitments

The Group had no quantifiable capital commitments at 31 December 2022 (31 December 2021: nil).

Residential guarantee

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

The Group's obligations are held by Property Exchange Australia Limited and are capped at $2 million per claim. No amounts relating to the PRSG have been provided for in the 31 December 2022 financial report.

Contingent liabilities

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

Those obligations are included in a number of operating, participation, performance, trading and settlement agreements with various government bodies, financial institutions, state registrars, practitioners and regulators (such as ARNECC), in both Australia and the United Kingdom, with varying levels of potential liability. The Group is not aware of any actual or alleged non-performance of any obligations as at 31 December 2022.

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 has established a self-insuring structure via a subsidiary entity, PCC Limited, on commercial terms (the 'Arrangement') to provide professional indemnity insurance (with regulatory approval). The commercial terms negotiated by PCC Limited remain within the PGL's risk appetite and financial capacity. No amounts for any claims, payment obligations or recovery related assets in relation to matters covered by the arrangement are recognised in the provisional fair values of the identifiable assets and liabilities as described in Note 6 or at 31 December 2022.

15 Events after Balance Sheet date

Subsequent to 31 December 2022, following the In-Specie distribution of PEXA shares by Link Group, PEXA's major shareholder at the time, the PEXA Group became eligible for inclusion in the ASX200 on 13 January 2023.

No other matters or circumstance have arisen since 31 December 2022 that has significantly affected, or may significantly affect:

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

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 interim financial statements and notes of PEXA Group Limited for the financial half-year ended 31 December 2022 are in accordance with the *Corporations Act 2001* and:

(i) give a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the half-year on that date; and

(ii) comply with Australian Accounting Standards and the *Corporations Regulations 2001*.

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

On behalf of the board

Mark Joiner
Chairperson
23 February 2023

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

Conclusion

We have reviewed the accompanying half-year financial report of PEXA Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the Auditor's responsibilities for the review of the half-year financial report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

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

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Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Ernst & Young

Ernst & Young

Christopher Reid
Partner
Melbourne
23 February 2023