



**IMPORTANT NOTICE - Financial statements for the financial year ended 30 June 2018**

These financial statements are historical financial statements for Nuix Limited ACN 117 140 235 (**Nuix**) for the financial year ended 30 June 2018 (**FY18**).

These financial statements were prepared by Nuix as special purpose financial statements.

The financial statements for FY18 were subsequently restated by Nuix. The restated amounts are presented as comparatives in the consolidated annual report of Nuix for the financial year ended 30 June 2020 (**FY20**).

All readers of the financial statements for FY18 should do so with reference to the restated comparatives for FY18 in the consolidated annual report of Nuix for FY20, including the notes and details explaining the restatements.

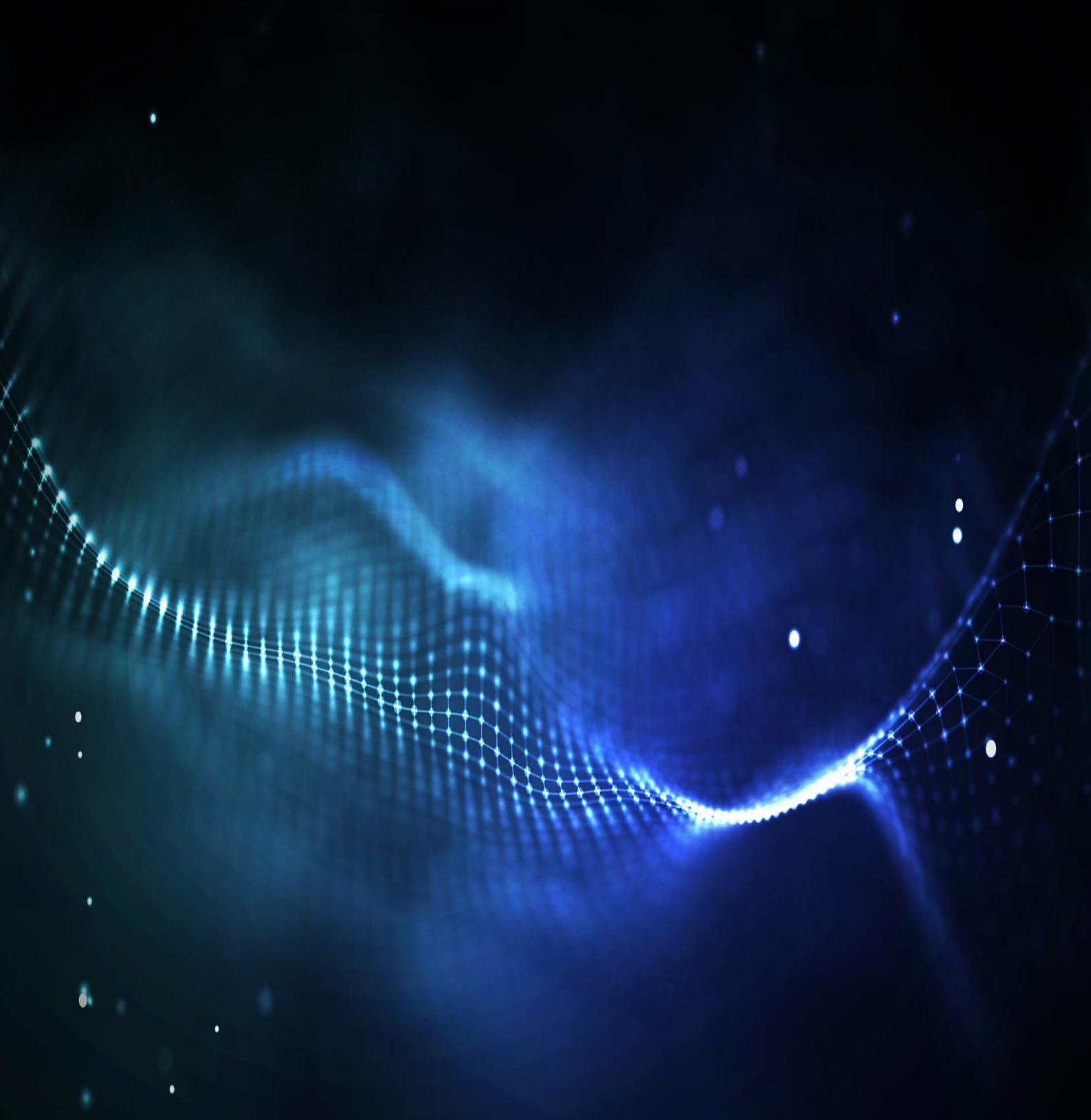


Nuix Pty Ltd and Controlled Entities  
**ANNUAL REPORT**

30 June 2018

ABN 80 117 140 235

[nuix.com](http://nuix.com)



# Nuix to Resolve

Manage the Threats



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## Nuix Technology Target Markets



## Corporate Directory

<b>Directors</b>	<p>Rod Vawdrey – Executive Director, Non-Independent                  David Standen – Non-Executive Director, Non-Independent                  Roy Frank Grady – Non-Executive Director, Independent                  Daniel Phillips – Non-Executive Director and Chairman, Non-Independent                  Mark Warren de Ambrosis – Non-Executive Director, Non-Independent                  Jeffrey Bleich – Non-Executive Director, Independent</p>
<b>Group Chief Executive Officer</b>	Rod Vawdrey
<b>Chief Financial Officer</b>	Stephen Doyle
<b>Registered Office and Share Registry</b>	<p>Nuix Pty Ltd                  Level 27                  1 Market Street                  SYDNEY, NSW 2000                  Telephone: +61 2 9280 0699                  Facsimile: +61 2 9212 6902</p>
<b>Company Secretaries</b>	<p>Brian Krupczak                  Stephen Doyle (jointly held)</p>
<b>Auditors</b>	<p>PricewaterhouseCoopers                  One International Towers                  Watermans Quay, Barangaroo                  SYDNEY NSW 2000</p>
<b>Legal Advisors</b>	<p>DLA Piper Australia                  140 William Street                  Melbourne VIC 3000                  PO Box 4301                  Australia</p>
<b>Bankers</b>	<p>Commonwealth Bank of Australia                  Business Banking                  Level 8, 201 Sussex Street                  SYDNEY NSW 2000</p>
<b>Financiers</b>	<p>Commonwealth Bank of Australia                  Business Banking                  Level 8, 201 Sussex Street                  SYDNEY NSW 2000</p>
<b>Website Address</b>	<a href="http://www.nuix.com">www.nuix.com</a>

## Chairman's Report

Dear Shareholder,

The Board of Nuix Pty Ltd is pleased to present the Annual Report of the Company and its subsidiaries (hereafter referred to as 'Nuix' or 'Group' or 'Company') for the financial year ended 30 June 2018. This year, the Group earned total sales of \$120,118,636 (2017: \$102,090,636), representing 18% growth. The Group achieved a full-year profit after tax of \$10,989,512 compared with \$8,544,585 in the previous year. Our 2018 growth rates are consistent with board expectations and reflect our ontrack execution of our growth and investment strategy.

### OUR ASSETS AND CAPABILITIES

Nuix's key assets are:

- its range of software applications that enable organisations to make fact-based decisions from human-generated data; and
- the extensive knowledge of its global team of industry experts.

Our software, built around the patented Nuix Engine, enables users to search, correlate, analyse and report on data at massive scale and in hundreds of formats.

### BUSINESS AND INDUSTRY OVERVIEW

Organisations are finding themselves unprepared to investigate, manage, secure, de-risk and utilise the massive amounts of human-generated data they hold. This poses commercial, competitive and legal risks. Nuix technology is uniquely positioned to help organisations:

- manage the data;
- comply with legal and regulatory obligations;
- minimise the losses that result from external and insider data breaches; and
- exploit the data to create value.

### OUR GROWTH STRATEGY

We plan to make our software a ubiquitously available platform for solving essential risk, compliance and security challenges. The key elements of our strategy are briefly outlined below:

#### Extend our technological capabilities

We intend to continue to invest heavily in our product development efforts to deliver additional features and solutions that address existing customer needs and new end-markets. We focus on attracting and retaining thought leaders and engineering talent who can expand the Nuix core engine into adjacent product and technology areas that enable organisations to further investigate, secure and unlock the value of their data.

#### Drive incremental revenue from existing customers

We will continue to cultivate incremental sales from our existing customers through increased use of our software. This will be achieved by additional deployments and new use cases in processing, investigation and analysis of data.



## Chairman's Report (continued)

### Develop products that enable organisations in adjacent markets to use our software in different ways

We believe there is a significant opportunity to leverage our core engine into new solutions that help organisations investigate, manage, secure and unlock the value of their data in specific markets and use cases. Training and certification services (across our range of solutions) and consulting services (notably in cybersecurity and insider threat management) are growing opportunities.

### Grow our user and partner ecosystem to target new use cases, drive operational leverage and deliver more targeted, higher value solutions

Our user community, includes advisory firms, litigation support vendors, corporations, government and law enforcement agencies. We believe this ecosystem can provide significant operating leverage to extend our software's functionality to new use cases. We will continue to invest in OEM and strategic relationships that enable new channels to market and extend our integration with third-party products. In addition, we expect that OEM vendors and managed service providers will invest in and create customised application functionality based on our core engine.

### Acquire and productise knowledge to deliver repeat engagements

Through our thought leadership and partner ecosystem, we will deliver targeted solutions to early adopters who solve the most complex unstructured data problems and to create products and solutions to be resold to industry verticals.

### Deliver world-class customer service

We are determined to continue to delight our customers with our passionate can-do customer service culture.

## OUR PLANS

Looking towards 2019 and beyond, we are confident that we will continue to deliver year-on-year revenue growth rates.

I would like to thank the shareholders for their support during the last financial year. The Board particularly acknowledges with thanks the entire talented, passionate and committed Nuix team. We look forward to the exciting next chapter in Nuix's history.

SIGNED:  \_\_\_\_\_

Daniel Phillips

Chairman

Sydney, Australia

19 October 2018

## CEO's Message

After a period of transition and consolidation in FY17, Nuix achieved an excellent FY18 revenue growth result at 18% over prior year. We expanded our markets geographically; refined our vision for the Group and sharpened our focus across development, product management and support business functions; and continued to reinvest our returns into the business.

### A RETURN TO STRONG GROWTH

It was a record-breaking financial year in which we signed nine renewals over AU\$1 million with our advisory and service provider partners and five seven-figure deals with new corporate and government customers. Average order size grew 20% year over year and we added 173 new customers and six new countries to bring us to well over 2,000 customers across 75 countries.

While we expanded sales of our traditional eDiscovery and Investigation products, FY18 also saw promising uptake of our Security & Intelligence product line, including a strategically significant deal with the United States Department of Defense.

### GLOBAL EXPANSION CONTINUES

We expanded geographically with a combination of feet on the ground and a revamped channel strategy with an eye to cultivating high-quality partners in new markets.

These initiatives saw a significant influx of new customers in Asia-Pacific across Indonesia, the Philippines, Singapore and Taiwan, and in the EMEA region with multiple wins in Germany, Israel, Saudi Arabia, Switzerland, Turkey and the United Arab Emirates.

### STRATEGIC VISION: THE CONVERGENCE OF SECURITY, RISK AND COMPLIANCE

Our strategic focus reflects three major challenges common across all organisations that handle large volumes of data: security, risk and compliance.

The view across our customer base, as well as from industry analysts such as Gartner, is that these three challenges are converging. As a result, many forward-thinking organisations are bringing together traditionally siloed areas such as compliance, legal, governance and information security into a single team focused on managing risk. Some of them are appointing an executive head of risk to oversee this converged discipline.

This presents a unique opportunity for Nuix, given that our technology already provides solutions for many of these challenges in areas such as investigation; legal and regulatory discovery; data risk management; regulatory compliance – especially with privacy legislation; and cybersecurity incident response. We can also apply our strengths to new use cases including intellectual property theft, insider threats, intelligence analysis and behavioural analytics.

Just as customers are converging their teams to manage security, risk and compliance, we're bringing many capabilities together into an always-on platform that gives them a 'single pane of glass' view of all their data and an always-on platform to solve a wide variety of business problems.

## CEO's Message (continued)

### BRINGING THE VISION TO LIFE

During FY18 we held a global summit of our development teams to help them align around this vision and determine the 'swim lanes' and projects necessary to bring it to fruition. We appointed new global heads of engineering, product and solution consulting, and support to spearhead the transformation of these business units so they can deliver the world-class products, services and support our customers expect.

We also embarked on a company-wide effort, working with a global marketing agency, to refine our message and to communicate our vision and value proposition to new and existing customers, current and potential investors, and to ourselves. The initial results of this project have been well received and investors can expect to see a lot more from this initiative in the year to come.

We have a well-defined product strategy for FY19 and beyond. This will focus firstly on customer retention; then on core offerings and updates to support revenue; and then to position us as an extensible platform that provides a single pane of glass across all manner of investigations and data analytics.

I am confident Nuix is positioned for further growth in FY19 and we will continue to add new customers across all segments. We have the best people in the industry focused helping Nuix reach new heights of achievement and truly making a difference in all the markets we serve.

A handwritten signature in black ink, appearing to be "Rod Vawdrey". The signature is stylized with a large, looped 'R' and a wavy line at the bottom.

SIGNED: \_\_\_\_\_

Rod Vawdrey

Group CEO

Sydney, Australia

19 October 2018

## Business Overview

Nuix has more than 2,000 customers worldwide across the private and public sectors. These customers rely on Nuix solutions to solve their complex data problems including law enforcement and enterprise investigation, governance and compliance, hyperscale data processing and cybersecurity.

### CUSTOMERS

**Advisory firms** such as Accenture, BDO International, Consilio, Deloitte, EPIQ, Ernst & Young, FTI, Grant Thornton, KPMG, PwC and RSM use Nuix software to deal with massive volumes of digital evidence and numerous digital exhibits. These firms use Nuix solutions to deliver efficient and cost-effective services such as investigation, legal discovery and information governance to their clients.

**Litigation support vendors** such as FRONTEO, H5, Kroll Ontrack, Law In Order, Lighthouse eDiscovery and Ricoh use Nuix software primarily to process large volumes of digital evidence for their clients such as law firms and enterprises, and make it available for early case assessment. Nuix software makes it possible for internal and external legal teams to collaborate on a single case and divide up stages of large, complex processes. Using Nuix Web Review & Analytics, they can make evidence available to clients, wherever they are, earlier in the data processing workflow than competing legal discovery technologies.

**Law firms** including Arthur Cox, Baker & McKenzie, Herbert Smith Freehills, Morgan Lewis & Bockius, Nelson Mullins and Paul Weiss use Nuix eDiscovery in similar ways to litigation support vendors, processing data for early case assessment and legal review. Nuix software allows them to handle a wider variety of data formats at a much larger scale than competing technologies. Nuix also helps law firms to gain control of highly sensitive client data and minimise the risk of data breaches.

**International, national, state and local law enforcement** agencies around the world face increasing pressure in the digital era. They must handle large-scale, highly complex investigations with data stored in large numbers of computers, mobile devices and cloud data sources. Nuix law enforcement customers include Australian Federal Police, Bundeskriminalamt (German Federal Police), Dutch Police, Geneva Police, HM Revenue and Customs, Indonesian State Intelligence Agency, Landeskriminalamt (German State Police), London Metropolitan Police, National Cyber Crime Unit (UK), NSW Crime Commission, New York City Department of Investigation, Police Scotland, Saudi Ministry of Interior, Singapore Ministry of Home Affairs and Turkish National Police Intelligence.

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*According to an OECD report, the average regulatory enforcement case takes 7.3 years. An Australian Federal Police officer commented “Shaving just two years off this results in a huge return on investment on much-needed resourcing – including storage of data and investigation team churn.”*

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## Business Overview (continued)

**Federal, state, and local government** agencies including Australian Department of Health, Australian Department of Foreign Affairs and Trade, Australian Department of Human Services, Australian Taxation Office, District of Columbia Inspector General, Executive Office for US Attorneys, Executive Office of the President (USA), Idaho Department of Transportation and the Welsh Government use Nuix software to find evidence of fraud by extracting and comparing information from multiple internal sources such as email and file shares, as well as public intelligence sources such as social media.

**Financial regulators** such as Australian Securities and Investments Commission, China Securities Regulatory Commission, Federal Trade Commission (US), Financial Conduct Authority (UK), Hong Kong Securities and Futures Commission, Inland Revenue (New Zealand), Internal Revenue Service (US), Korea Fair Trade Commission, Securities and Exchange Surveillance Commission (Japan) and U.S. Securities and Exchange Commission face challenges with rapidly changing technology; it is hard to establish connections between vital facts among massive data volumes, noise, disparate systems and multiple suspects. Nuix software helps them by processing and managing incoming information, finding the specific data necessary to complete investigations and uncovering patterns within and across cases.

**Banking, financial services and insurance** companies including AIG, American Express, Citigroup, Commonwealth Bank of Australia, Credit Suisse, Danske Bank, Deutsche Bank, Dun & Bradstreet, HSBC, Macquarie, Morgan Stanley, National Australia Bank, Prudential, Travelers Insurance, UniCredit Bank AG, Western Union and Westpac use Nuix software to detect and prevent fraud and corruption, identify and block insider threats and comply with privacy regulations. The financial services industry is already heavily regulated and this burden is increasing with the tightening of privacy regulations around the world, for example the European Union General Data Protection Regulation and the Australian Notifiable Data Breaches Act. Nuix software helps to reduce investigation times, resulting in decreased regulatory liability and more effective program management.

**Telecommunication** providers such as Bell Canada, Comcast, O2 UK, Optus, Saudi Telecom, Verizon and Vodafone hold large volumes of highly sensitive information about their customers, which is a tempting target for external data breaches and insider threats. In the context of privacy regulations, telcos need to minimise the threats of data breaches and respond quickly and effectively when they happen. Nuix uniquely assists this process by providing transparency into a wide variety of data sources including email systems, file shares, archives, databases and other high-risk locations. This enables telcos to locate high-value and high-risk information, conduct regular sweeps for sensitive data, and reduce the gap between security incidents and their detection and remediation.

**Pharmaceuticals and healthcare providers** including Abbott Laboratories, Allergan, Blue Cross Blue Shield North Carolina, Humana, Pfizer and UnitedHealth Group use Nuix software to scan and index their email servers and other storage systems, identify intellectual property and ensure these high-value materials are not being stolen, for example in the emails of departing employees.

**Commercial** customers from industries such as energy, information technology, manufacturing, media and entertainment, and utilities include Adidas, AGL, CBS Corporation, Duke Energy, Eskom, General Motors, Microsoft, National Grid, Petrobras, Procter & Gamble, Raytheon, Salesforce, Sony Pictures, Suncor Energy, Tabcorp, Tata Consultancy Services, Toyota, Universal Entertainment and Walt Disney. These companies use Nuix software for enterprise investigations, detecting fraud and corruption, collecting evidence for legal and regulatory matters, data migration and protecting data from breaches.

## Director's Report

The directors present their report on the consolidated entity (hereafter referred to as 'Nuix' or 'Group' or 'Company') consisting of Nuix Pty Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2018.

### Directors and company secretary

The following persons were directors of Nuix Pty Ltd during the year and up to the date of this report unless otherwise stated:

- Rod Vawdrey (Executive Director)
- David Standen (Non-Executive Director)
- Roy Frank Grady (Non-Executive Director)
- Daniel Phillips (Non-Executive Director and Chairman)
- Mark Warren de Ambrosis (Non-Executive Director)
- Jeffrey Bleich (Non-Executive Director)
- Anthony Castagna (Non-Executive Director)

Anthony Castagna resigned as Director and Chairman on 18 April 2018.

The company secretaries are Stephen Doyle and Brian Krupczak. Doyle and Krupczak were appointed to the position of company secretary in 2011 and 2015, respectively.

### Operating results

The profit of the Group for the financial year after providing for income tax amounted to \$10,989,512 (2017: \$8,544,585).

### Review of operations

A review of the operations of the Group during the financial year and the results of those operations follows:

	2018	2017	2017-2018 MOVEMENT
Sales	120,118,636	102,090,636	18%
EBITDA	25,366,979	22,604,344	12%
NPAT	10,989,512	8,544,585	29%
Operating cash flow	21,561,928	25,423,930	-15%
Revenue per employee	267,525	279,700	-4%
Working capital	30,179,463	27,660,139	9%
Orders backlog	6,404,691	6,880,836	-7%

## Director's Report (continued)

A five-year summary of financial performance is provided below:

Summary	2014	2015	2016	2017	2018
Total Revenue	45,831,966	74,224,534	101,923,960	102,090,636	120,118,636
EBITDA	11,702,285	19,672,764	25,050,009	22,604,344	25,366,979
NPAT	7,886,560	13,449,635	14,025,129	8,544,585	10,989,512

The Company manages operating performance by reference to key operational metrics, a sample of which are above disclosed.

Annual revenue per employee is calculated by reference to the fiscal year end number of all NuiX employees during the period.

Total current assets are disclosed throughout the financial statements however management also reviews these balances in conjunction with 'Orders backlog' which it considers an important operating metric. Orders backlog represents future committed "sales orders", that have not been booked as revenue nor debtors. This is considered when analysing the Company's liquidity and also the litmus test for customer sentiment demonstrating the willingness of customers to enter into long-term contractual relationships with NuiX.

### Significant changes in state of affairs

No significant changes in the Group's state of affairs occurred during the financial year and up to date of this report.

### Principal activities

The principal continuing activities of the Group during the financial year were the development, sales, marketing and distribution of software. No significant change in the nature of these activities occurred during the year.

### Events since the end of the financial year

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future financial years.

### Likely developments and expected results of operations

Likely developments in the operations of the Group and the expected results of those operations in future financial years are not included in this report.

### Environmental regulation

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or any other territories of Australia or territory in which it operates.

## Director's Report (continued)

### Meetings of directors

The numbers of meetings of the company's board of directors held during the fiscal year ended 30 June 2018, and the numbers of meetings attended by each director were:

	Full meetings of directors	
	A	B
David Standen	5	5
Roy Frank Grady	5	5
Daniel Phillips	5	5
Mark Warren de Ambrosis	5	5
Jeffrey Bleich	4	5
Rod Vawdrey	5	5
Anthony Castagna (resigned April 18, 2018)	3	4

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

### Dividends paid or recommended

There were no dividends paid or declared since the start of the financial year and up to the date of this report.

### Shares issued on the exercise of options

During the fiscal year ended June 30, 2018 Nuix Pty Ltd issued nil shares (2017: 11,666,350) with weighted average issue price of \$nil (2017: \$0.12) per share on the exercise of options granted under Nuix Employee Option Plans.

### Insurance of officers

Nuix Pty Ltd insure the directors and secretaries of the company and its Australian-based controlled entities, and the general managers of each of the divisions of the Group. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.




## Director's Report (continued)

### Indemnifying officers or auditor

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an auditor of the Group.

This report is signed in accordance with a resolution of the Board of directors.

SIGNED:  \_\_\_\_\_

Daniel Phillips

Chairman

Sydney, Australia

19 October 2018

## Income Statement

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2018

	NOTES	2018 \$	2017 \$
<b>Sales</b>	5	120,118,636	102,090,636
<b>Cost of goods sold</b>		(10,354,915)	(5,401,123)
<b>Gross profit</b>		109,763,721	96,689,513
Sales and distribution		(53,575,892)	(45,587,754)
Research and development		(4,015,335)	(3,653,059)
General and administration		(37,771,103)	(31,887,842)
Other income	6	763,149	717,151
Other gains / (losses) - net	4	407,340	(1,568,917)
<b>Operating profit</b>		15,571,880	14,709,092
Finance costs	4	(743,115)	(721,725)
Share based payment expense	4	(1,167,751)	(757,827)
<b>Profit before income tax</b>		13,661,014	13,229,540
Income tax expense	7	(2,671,502)	(4,684,955)
<b>Profit for the year</b>	18	10,989,512	8,544,585
Exchange differences on translation of foreign operation	18	375,955	(147,697)
<b>Total comprehensive income for the year</b>		<b>11,365,467</b>	<b>8,396,888</b>
<b>Earnings per share</b>			
Basic earnings per share	25	0.05	0.04
Diluted earnings per share	25	0.04	0.03

The financial statements should be read in conjunction with the accompanying notes.

## Balance Sheet

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION For the year ended 30 June 2018

	NOTES	2018 \$	2017 \$
<b>Current assets</b>			
Cash and cash equivalents	8	26,998,317	20,341,298
Trade and other receivables	9	34,251,863	29,710,419
Current tax assets		-	357,292
Other current assets	10	1,769,109	1,865,570
<b>Total current assets</b>		<b>63,019,289</b>	<b>52,274,579</b>
<b>Non-current assets</b>			
Property and equipment	11	3,014,832	3,040,279
Intangible assets	12	75,680,533	57,857,327
Deferred tax asset	7	2,157,393	2,457,646
<b>Total non-current assets</b>		<b>80,852,758</b>	<b>63,355,252</b>
<b>Total assets</b>		<b>143,872,047</b>	<b>115,629,831</b>
<b>Current liabilities</b>			
Trade and other payables	13	19,642,982	9,237,235
Deferred revenue	14	9,635,257	13,206,694
Current tax liabilities		437,620	186,611
Provisions	15	2,616,504	1,983,900
Other liability		507,463	-
<b>Total current liabilities</b>		<b>32,839,826</b>	<b>24,614,440</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	7	5,132,522	5,284,303
Provisions	15	526,514	453,625
Borrowings	16	20,000,000	15,000,000
Other long-term liability		-	277,030
<b>Total non-current liabilities</b>		<b>25,659,036</b>	<b>21,014,958</b>
<b>Total liabilities</b>		<b>58,498,862</b>	<b>45,629,398</b>
<b>Net assets</b>		<b>85,373,185</b>	<b>70,000,433</b>
<b>Equity</b>			
Issued capital	17	17,809,218	8,801,888
Reserves	18	699,177	5,323,267
Retained earnings	18	66,864,790	55,875,278
<b>Total equity</b>		<b>85,373,185</b>	<b>70,000,433</b>

The financial statements should be read in conjunction with the accompanying notes.

## Change in Equity

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	ISSUED CAPITAL \$	OPTION BUY-BACK RESERVE \$	SHARE OPTION RESERVES \$	FOREIGN CURRENCY TRANSLATION RESERVE \$	RETAINED EARNINGS \$	TOTAL EQUITY \$
Balance at 1 July 2016	7,424,512	-	2,753,493	1,959,644	47,330,693	59,468,342
Profit for the year	-	-	-	-	8,544,585	8,544,585
Foreign currency reserve	-	-	-	(147,697)	-	(147,697)
Contributions of equity	1,377,376	-	-	-	-	1,377,376
Employee share options	-	-	757,827	-	-	757,827
<b>Balance at 30 June 2017</b>	<b>8,801,888</b>	<b>-</b>	<b>3,511,320</b>	<b>1,811,947</b>	<b>55,875,278</b>	<b>70,000,433</b>
Profit for the year	-	-	-	-	10,989,512	10,989,512
Foreign currency reserve	-	-	8,459	375,955	-	384,414
Contributions of equity	9,007,330	-	-	-	-	9,007,330
Buy-back of options	-	(6,176,255)	-	-	-	(6,176,255)
Employee share options	-	-	1,167,751	-	-	1,167,751
<b>Balance at 30 June 2018</b>	<b>17,809,218</b>	<b>(6,176,255)</b>	<b>4,687,530</b>	<b>2,187,902</b>	<b>66,864,790</b>	<b>85,373,185</b>

The financial statements should be read in conjunction with the accompanying notes.

## Cash Flow

### CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	NOTES	2018 \$	2017 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST and VAT)		111,138,416	106,511,951
Payments to employees and suppliers		(88,582,591)	(79,246,783)
Interest received		2,024	17,883
Interest paid		(736,415)	(725,515)
Income tax paid	19	(259,506)	(1,133,606)
Net cash provided by operating activities	24	21,561,928	25,423,930
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment	11	(2,183,972)	(1,474,138)
Payments for intangible assets	12	(26,564,140)	(22,142,664)
Net cash used in investing activities		(28,748,112)	(23,616,802)
<b>Cash flows from financing activities</b>			
Proceeds from issuance of shares		9,007,330	1,377,376
Proceeds from borrowings	16	5,000,000	-
Net cash provided by financing activities		14,007,330	1,377,376
Net change in cash and cash equivalents		6,821,146	3,184,504
<b>Cash and cash equivalents at beginning of financial year</b>			
	8	20,341,298	18,191,237
Exchange differences on cash and cash equivalents		(164,127)	(1,034,443)
<b>Cash and cash equivalents at end of financial year</b>		<b>26,998,317</b>	<b>20,341,298</b>

The financial statements should be read in conjunction with the accompanying notes.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Nuix Pty Ltd and its subsidiaries.

These special purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board. The Company is a for-profit entity for the purpose of preparing the financial statements.

The financial report has been prepared in accordance with the accounting policies disclosed below which the directors have determined are appropriate to meet the needs of members. Such accounting policies are consistent with the previous period unless otherwise stated.

Nuix Pty Ltd is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Board of directors on 19 October 2018.

### a. Basis of preparation

The financial report has been prepared on an accrual basis and is based on historical costs.

#### *(i) Early adoption of standards*

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2017.

#### *(ii) Historical cost convention*

These financial statements have been prepared under the historical cost convention.

#### *(iii) Critical accounting estimates*

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 1(z).

### b. Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Nuix Pty Ltd ('Nuix' or 'Group' or 'Company') as at 30 June 2018 and the results of all subsidiaries for the year then ended. Nuix Pty Ltd and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting used to account for business combinations by the Group and is disclosed in Note 1(e).

## Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2018

Intercompany balances on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

### **c. Segment report**

As the Group has prepared special purpose financial statements, disclosure of segment information is not required.

### **d. Income tax**

The income tax expense or benefit for the period is the tax payable or receivable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

#### **(i) Current tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income.

#### **(ii) Deferred tax**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2018

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### e. Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognised in profit or loss.

### f. Plant and equipment

Each class of plant and equipment is carried at historical cost less accumulated depreciation and impairment losses.

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives commencing from the time the asset is held ready for use. Leased assets are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the assets.

The depreciation rates used for each class of depreciable assets are:

CLASS OF FIXED ASSET	DEPRECIATION RATE
Plant and computer equipment	33%
Furniture and fixture	20%
Leasehold improvement	20%
Vehicle	20%



## Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2018

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period date. 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 or losses are included in the statement of comprehensive income.

### **g. Leases**

Leases of plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (Note 21). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

### **h. Financial instruments**

#### ***Classification***

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting date.

#### ***(i) Financial assets at fair value through profit and loss***

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

#### ***(ii) Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

#### ***Initial recognition and measurement***

At initial recognition, the Group 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 that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

## Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2018

Financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established. Interest income from these financial assets is included in the net gains/ (losses).

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amounts are recognised in other comprehensive income.

### ***Derecognition***

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

### ***Impairment***

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or Group of financial assets is impaired. A financial asset or a Group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss. Impairment testing of trade receivables is described in Note 1(q) and Note 9(a).

### **i. Impairment of non-financial assets**

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value.

## Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2018

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Impairment testing is performed at each reporting date for intangible assets with indefinite lives and intangible assets not yet available for use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

### **j. Intangibles assets**

#### **(i) Goodwill**

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments.

The Group does not have goodwill included in intangible assets.

#### **(ii) Customer contracts**

Customer contracts acquired as part of a business combination are recognised separately from goodwill. The customer contracts are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives. At present, there are no customer contracts recorded within the financial statements.

#### **(iii) Software**

Software comprises computer software purchased from third parties which are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Costs associated with maintaining computer software programs are recognised as an expense when as incurred.

#### **(iv) Intellectual property**

Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets classified as "intellectual property" when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably.

The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Research expenditure is recognised as an expense as incurred.

## Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2018

Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life.

The amortisation rates used for each class of assets are:

CLASS OF FIXED ASSET	DEPRECIATION RATE
Software	33%
Intellectual Property	10%

### k. Foreign currency transactions and balances

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Nuix Pty Ltd's functional and presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

#### (iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- Income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

## Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2018

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

### **l. Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year, which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

### **m. Borrowings**

Interest bearing bank loans are recognised when issued at fair value, less transaction costs, using the amortised cost method. Any difference between the cost and principal value is recognised in the consolidated income statement over the period of the interest bearing liability on an effective interest basis.

### **n. Provision**

Make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are measured using the best estimate of amounts required to settle the obligation at the end of each reporting period.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

### **o. Employee benefits**

#### ***(i) Short term obligations***

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

## Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2018

### ***(ii) Other long-term employee benefits obligations***

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

### ***(iii) Retirement benefit obligations***

Employees of the Group are entitled to benefits from the Group's superannuation plan on retirement, health insurance plan and 401K. The Group's superannuation plan has a defined contribution section. The defined benefit section provides defined lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions.

### ***(iv) Share-based payments***

Share-based compensation benefits are provided to employees via the Nuix Employee Option Plans and employee share schemes. The fair values of options granted under the Employee Option Plans are recognised as share-based payments expense with a corresponding increase in equity reserves. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The Nuix Employee Option Plans are administered by the Nuix Compensation Committee. When the options are exercised, the Committee transfers the appropriate amount of shares to the Option Holder. The proceeds received, net of any directly attributable transaction costs, are credited directly to equity.

### ***(v) Bonus plans***

The Group recognises a liability and an expense for bonuses by way of a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

### ***(vi) Termination benefits***

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits as an expense.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2018

## **p. Cash and cash equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

## **q. Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 – 45 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an on-going basis. Debts, which are known to be uncollectible, are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, financial reorganisation, default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable is impaired.

The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within general and administration expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

## **r. Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

### ***(i) Software licence fee and software usage revenue***

Revenue is recognised when a performance obligation is satisfied and when control of the promised goods or services is transferred to the customer. When considering the performance obligation in relation to the provision of software, it can be either a right to access (revenue recognised over time) or a right to use (revenue recognised when software transferred). Software will be recognised as a right to access when it meets the below three criteria:

- 1) There is an expectation (contracted or otherwise) that significant activities will be undertaken to affect the IP of the software;
- 2) The license holder is exposed to the positive or negative effects of the changes made under point 1;
- 3) The activities do not result in the transfer of a good or service to the license holder as the activities.

## Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2018

In Nuix's case, the software provided is updated on an ongoing basis, however the key functionality of the software is not changed. The software could be held stable and still provide the same benefit to the customers who have purchased licenses. There is also no contractual obligation under the EULA to update customers with the new substantial functionality of the software. As a result, it is appropriate that recognition of annual license sales as a right to use (upfront recognition) is appropriate.

### ***(ii) Maintenance and support revenue***

Deferred revenue is recognised over time as it is earned. However, to the extent that Nuix has fulfilled all its obligations under the contract, the income is recognised as being earned at the time when all Nuix's obligations under the contract have been fulfilled.

### ***(iii) Services and training revenue***

Revenue from a contract to provide consulting and training services is recognised by reference to the percentage of completion of the contract. The percentage of completion of the contract is determined by reference to the proportion of work performed (costs incurred to date) to estimated total work performed (total contract costs). When the percentage of completion cannot be estimated reliably, contract revenue is only permitted to be recognised to the maximum extent of the contract costs incurred, which is likely to be recovered. An expected loss on a contract is recognised immediately in the Consolidated Statement of Comprehensive Income at inception.

### ***(iv) Sale of goods***

Revenue from the sale of goods (hardware) is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

### ***(v) Interest income***

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

### ***(vi) Recognition of government grant approach for the R&D incentive scheme***

The Group applies the Government Grant Approach to recognise incentives from R&D. This approach recognises the benefit relating to R&D costs recorded in the income statement in the year it is incurred as Government Grant Income with the benefit relating to R&D costs capitalised into intangibles recorded as Deferred Income in the balance sheet with this amount then unwound to Government Grant Income in line with the amortisation period of the intangible.

## **s. Government grants**

Grants from the government are recognised in Other Income at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

## **t. Issued capital**

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



## Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2018

### u. Goods and services tax

Revenues, expenses and assets are recognised net of the associated goods and services tax (GST), unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

### v. Comparative figures

When required by Australian Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

### w. New accounting standards and interpretation

In the current year, the Group has adopted all of the measurement and recognition requirements of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Group's accounting policies.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods and have not been early adopted by the Group as follows:

Standard / Interpretation	Effective for annual reporting periods on or after	Expected to be initially applied in the financial year ended
AASB 15 – Revenue from Contracts with Customers	1 January 2018	30 June 2019
AASB 9 – Financial Instruments	1 January 2018	30 June 2019
AASB 16 - Leases	1 January 2019	30 June 2020

The Group's assessment of the impact of these new standards and interpretations is set out below:

- (i) *AASB 15 – Revenue from Contracts with Customers*: The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management has assessed the impact under the new accounting standard on the recognition of deferred revenue component of multi-year license contracts and concluded the current revenue accounting treatment is consistent with the new revenue standard.

## Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2018

- (ii) *AASB 9 – Financial Instruments:* AASB 9 introduces new requirements for the classification and measurement of financial assets. Under AASB 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 introduces additional changes relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets.

Management has assessed that the new standard will have no material impact on the classification and measurement requirements surrounding financial assets and liabilities and there would be no material impact on the recognition of expected losses on contract inception.

- (iii) *AASB 16 – Leases:* AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of \$12,445,750, see Note 21. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases.

### **x. Parent entity financial information**

The financial information for the parent entity, Nuix Pty Ltd, disclosed in Note 26 has been prepared on the same basis as the consolidated financial statements, except as set out below.

#### ***(i) Investments in subsidiaries, associates and joint venture entities***

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Nuix Pty Ltd.

#### ***(ii) Financial guarantees***

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment. There were no financial guarantees during the year (2017: Nil).

#### ***(iii) Share-based payment expense***

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as an inter-Group charge to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an expense in the subsidiary undertakings, with a corresponding credit to equity.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2018

## **y. Earnings per share (EPS)**

### **(i) Basic earnings per share**

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares, if any

### **(ii) Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

## **z. Critical accounting estimates and assumptions**

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### **(i) Revenue recognition**

The Group offers certain arrangements whereby a customer can purchase the right to use a software licence, together with 1 to 5 years maintenance and support. When such multiple element arrangements exist, the amount recognised as revenue upon the sale of the right to use a software licence is the fair value of the licence in relation to the fair value of the arrangement taken as a whole.

The revenue relating to the maintenance and support element, which represents the fair value of the servicing arrangement in relation to the fair value of the arrangement as a whole, is recognised over the service period. The fair values of each element are determined based on the current market price of each of the elements when sold separately. To the extent that there is a discount on the arrangement, such discount is allocated between the elements of the contract in such a manner as to reflect the fair value of the elements. Infrequently, third party hardware and software is on-sold to customers and in such instances the amount recognised as revenue is the actual cost paid to the third party plus mark-up.

### **(ii) Share based payment expense**

Management judgment is applied in determining the fair value of options issued under the employee option plan. There are inherent difficulties in determining market volatility for an unlisted entity.

Furthermore, the vesting of options under the plan occurs over a period that does not always coincide with the reporting period. In order to avoid complexities surrounding the proration and reporting of options vested and exercisable at the end of year. Management has reported options vested and exercisable only where the vesting end date has completed in full.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2018

### *(iii) Useful life of intangible assets*

The Group capitalises development time as an intangible asset on a monthly basis and amortises it immediately over an estimated useful life of 10 years. The Group estimates the useful life of the intangible asset to be at least 10 years based on the expected enhancements and technical obsolescence of such assets. As at 30 June 2018, the carrying amount of the intangible asset was \$75,680,533 (2017: 57,857,327).

## 2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks including:

- market risk (including currency risk, interest rate risk and price risk),
- credit risk, and
- liquidity risk

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk to determine market risk. Risk management is carried out by the corporate finance department under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and use of derivative financial instruments, non-derivative financial instruments and investment of excess liquidity.

### a. Market risk

#### *(i) Foreign exchange risk*

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar, British Pound and European Euro. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. Management has set up a policy requiring Group companies to manage their foreign exchange risk against their functional currency.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	2018			2017		
	USD	EURO	GBP	USD	EURO	GBP
Trade receivables	18,206,379	2,308,150	2,194,531	10,002,537	1,899,273	3,475,723
Trade payables	2,073,460	34,970	496,810	887,260	62,561	804,083
Cash and cash equivalents	8,405,412	3,675,672	3,291,501	14,142,772	2,984,414	1,766,244

## Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2018

The Group's exposure to other foreign exchange movements is not considered material.

### Sensitivity

As shown in the table above, the Group is primarily exposed to changes in USD exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from US-dollar. Impact on profit after tax of +/- 10% change of USD against AUD will result to an increase / (decrease) of \$348,642 / (\$348,642) for the fiscal year ended 30 June 2018 (2017: \$359,983 / [\$359,983])

### b. Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions and outstanding receivables and committed transactions.

For all customers in all instances the Group retains title over the software. A permanent licence key to use the software is not issued until full payment is received, thus reducing risk of impairment to accounts receivable. Compliance with credit limits for wholesale customers are regularly monitored by Corporate Finance. Sales to retail customers are required to be settled by using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

#### (i) Trade receivables past due but not impaired

As at 30 June 2018, trade receivables of \$2,867,387 (2017: \$3,086,623) were past due but not impaired. These relate to a number of smaller clients for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2018 \$	2017 \$
1 – 3 months	2,103,303	1,644,673
4 – 6 months	521,004	766,787
Over 6 months	243,080	675,163
	2,867,387	3,086,623

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

### c. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through adequate committed credit facilities to meet financial obligations as and when they fall due. At the end of the reporting period the Group held deposits at call of \$26,998,317 (2017: \$20,341,298) that are expected to expeditiously generate cash inflows for managing liquidity risk.

The Company manages operating performance by reference to key operational metrics including 'Orders backlog'. Orders backlog represents future committed "sales orders", namely not booked as revenue, unbilled revenue nor debtors.

As at 30 June 2018 Orders backlog was \$6,404,691 (2017: \$6,880,836).

## Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2018

Management monitors rolling forecasts of the Group's liquidity reserve as discussed above and cash and cash equivalents (Note 8) on the basis of forecasted cash flows. This is generally carried out at a Group level by Corporate Finance. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these and monitoring balance sheet liquidity ratios against internal requirements.

The below page analyses 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.

Balances due within 12 months equal their carrying balances as the impact of discounting is not considered material.

CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES	LESS THAN 6 MONTHS \$	6-12 MONTHS \$	BETWEEN 1-3 YEARS \$	CARRYING AMOUNT LIABILITIES
At 30 June 2017				
Trade payables	1,996,287	-	-	1,996,287
Borrowings	-	-	15,000,000	15,000,000
	1,996,287	-	15,000,000	16,996,287
At 30 June 2018				
Trade payables	3,800,099	-	-	3,800,099
Borrowings	-	-	20,000,000	20,000,000
	3,800,099	-	20,000,000	23,800,099

#### d. Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes in accordance with AASB 7 Financial Instruments. The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant.

### 3. SEGMENT INFORMATION

#### Description of segments and principal activities

The group's strategic steering committee, consisting of the chief executive officer and the chief financial officer that examines the group's performance both from a product and geographic perspective and has identified that the group is considered as one reportable segment as a whole. The business activities and products that each geographic division have are the same and operating results are regularly reviewed by the entity's chief operating decision maker as a whole and not by geographic division.

## Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2018

### 4. PROFIT FOR THE YEAR

The profit for the year has been arrived at after charging the following items:

	2018 \$	2017 \$
Share based payments expense costs		
Employee option expense	1,167,751	757,827
Finance costs		
Interest expense	743,115	721,725
Other (gains) / losses - net		
Realised and unrealised foreign exchange gain	(2,175,046)	(272,207)
Realised and unrealised foreign exchange loss	1,767,706	1,841,124
	(407,340)	1,568,917
Expenses (included in General and administration)		
Bad Debt Expense	493,061	899,974
Rental expense on operating leases	2,820,209	2,870,372
Amortisation of intangible assets	8,743,596	5,993,643
Depreciation	2,221,279	2,671,968

### 5. SALES

	2018 \$	2017 \$
Software	112,750,593	95,447,956
Services	6,414,473	5,883,039
Hardware	953,570	759,641
	120,118,636	102,090,636

### 6. OTHER INCOME

	NOTES	2018 \$	2017 \$
Bank interest		2,024	12,533
Government grant income	(a)	761,125	703,287
Miscellaneous income		-	1,331
		763,149	717,151

#### a. Government grants

Government grants recognized as other income for the current financial year relates to research and development activities.

## Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2018

### 7. INCOME TAX EXPENSE

#### (a) Income tax expense

	2018 \$	2017 \$
<b>Current tax</b>		
Current tax on profits for the year	2,523,030	2,847,238
<b>Total current tax expense</b>	<b>2,523,030</b>	<b>2,847,238</b>
<b>Deferred income tax</b>		
Increase in deferred tax assets	300,253	(700,804)
Increase in deferred tax liabilities	(151,781)	2,538,521
<b>Total deferred tax expense</b>	<b>148,472</b>	<b>1,837,717</b>
<b>Income tax expense</b>	<b>2,671,502</b>	<b>4,684,955</b>

#### (b) The numerical reconciliation of income tax expense to prima facie tax payable:

	2018 \$	2017 \$
Profit before income tax expense	13,661,014	13,229,540
Tax at the Australian tax rate of 30% (2017: 30%)	4,098,304	3,968,862
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment	80,143	65,925
Share-based payments - Australian	350,325	227,348
Share options - USA	-	(702,903)
Interest expense	184,264	191,225
Foreign exchange gains and loss	(476,485)	552,336
Difference in overseas tax rates	(1,167,477)	(572,283)
Research and development	(169,525)	1,097,438
Other	(228,047)	(142,993)
<b>Income tax expense</b>	<b>2,671,502</b>	<b>4,684,955</b>



## Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2018

### Deferred tax balances

#### (i) Deferred tax assets

The balance comprises temporary differences attributable to:

	2018 \$	2017 \$
Employee benefits	309,854	226,343
R&D	1,913,376	2,283,337
Others	(65,837)	(52,034)
<b>Total deferred tax assets</b>	<b>2,157,393</b>	<b>2,457,646</b>

#### (ii) Deferred tax liabilities

The balance comprises temporary differences attributable to:

	2018 \$	2017 \$
Intellectual property	22,640,833	17,161,971
R&D	(16,740,530)	(11,292,701)
Employee benefits	(330,343)	(259,778)
Deferred revenue	(304,311)	(301,387)
Other	(133,127)	(23,802)
<b>Total deferred tax liabilities</b>	<b>5,132,522</b>	<b>5,284,303</b>

All movements in the deferred tax assets and deferred tax liabilities were recognised in profit and loss.

## 8. CASH AND CASH EQUIVALENTS

This account consists of cash in bank amounting to \$26,998,317 (2017: \$20,341,298). The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents aforementioned.

## 9. TRADE AND OTHER RECEIVABLES

	NOTE	2018 \$	2017 \$
Trade receivables		26,970,220	22,229,554
Provision for impairment of trade receivables	(a)	-	(71,643)
Unbilled revenue		7,281,643	7,552,508
<b>Total trade and other receivables</b>		<b>34,251,863</b>	<b>29,710,419</b>

## Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2018

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

### a. Provision for impairment of receivables

Current trade and term receivables are non-interest bearing loans and generally on 30-45 day terms. Term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired. These amounts have been included in the general and administration expenses. The amount of the provision was \$nil (2017: \$71,643). The individually impaired receivables mainly relate to smaller clients who experienced financial distress. During 30 June 2018 \$564,704 (2017: \$986,722) was written off as uncollectable. As a percentage of total Group revenue, the provision for impairment recognised during the year is negligible.

The ageing of receivables is as follows:

	2018 \$	2017 \$
1 – 3 months	26,206,136	20,787,604
4 – 6 months	521,004	766,787
Over 6 months	243,080	675,163
	26,970,220	22,229,554

Movements in receivables provision:

	2018 \$	2017 \$
As at 1 July	71,643	21,174
Provision for impairment recognised	493,061	1,037,191
Receivables written off as uncollectable	(564,704)	(986,722)
As at 30 June	-	71,643

The creation and release of the provision for impaired receivables has been included in general and administration expenses. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

### b. Foreign exchange and interest rate risk

Information about the Group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in Note 2(a)(i).

## Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2018

### c. Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables outlined above. Refer to Note 2 for more information on the risk management policy of the Group and the credit quality of the entity's trade and other receivables.

## 10. OTHER CURRENT ASSETS

	2018 \$	2017 \$
Prepayments	1,583,882	1,101,765
Other receivables	185,227	763,805
<b>Total other current assets</b>	<b>1,769,109</b>	<b>1,865,570</b>

## 11. PROPERTY AND EQUIPMENT

	OFFICE & COMPUTER EQUIPMENT	FURNITURE & FIXTURE	LEASEHOLD IMPROVEMENT	VEHICLE	TOTAL
<b>At 1 July 2016</b>					
At cost	6,836,707	463,746	1,782,908	39,968	9,123,329
Accumulated Depreciation	(3,940,886)	(145,236)	(754,832)	(13,990)	(4,854,944)
<b>Net book amount</b>	<b>2,895,821</b>	<b>318,510</b>	<b>1,028,076</b>	<b>25,978</b>	<b>4,268,385</b>
<b>Year ended 30 June 2017</b>					
Opening net book amount	2,895,821	318,510	1,028,076	25,978	4,268,385
Forex difference – cost	(195,707)	(11,194)	(21,364)	(1,242)	(229,507)
Forex difference – A/D	169,348	9,960	19,923	-	199,231
Additions	1,180,138	9,996	345,710	-	1,535,844
Disposals	(22,980)	-	-	(38,726)	(61,706)
Depreciation charge	(1,824,151)	(97,783)	(764,024)	13,990	(2,671,968)
<b>Closing net book amount</b>	<b>2,202,469</b>	<b>229,489</b>	<b>608,321</b>	<b>-</b>	<b>3,040,279</b>
<b>At 30 June 2017</b>					
At cost	7,798,158	462,548	2,107,254	-	10,367,960
Accumulated Depreciation	(5,595,689)	(233,059)	(1,498,933)	-	(7,327,681)
<b>Net book amount</b>	<b>2,202,469</b>	<b>229,489</b>	<b>608,321</b>	<b>-</b>	<b>3,040,279</b>

## Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2018

### 11. PROPERTY AND EQUIPMENT (CONTINUED)

	OFFICE & COMPUTER EQUIPMENT	FURNITURE & FIXTURE	LEASEHOLD IMPROVEMENT	VEHICLE	TOTAL
<b>Year ended 30 June 2018</b>					
Opening net book amount	2,202,469	229,489	608,321	-	3,040,279
Forex difference – cost	259,608	14,804	46,466	-	320,878
Forex difference – A/D	(250,106)	(12,392)	(41,774)	-	(304,272)
Additions	1,018,232	558,555	607,185	-	2,183,972
Write off – cost	-	(15,819)	(3,531)	-	(19,350)
Write off – A/D	-	11,073	3,531	-	14,604
Depreciation charge	(1,626,990)	(130,423)	(463,866)	-	(2,221,279)
Closing net book amount	1,603,213	655,287	756,332	-	3,014,832
<b>At 30 June 2018</b>					
At cost	9,075,998	1,020,088	2,757,374	-	12,853,460
Accumulated Depreciation	(7,472,785)	(364,801)	(2,001,042)	-	(9,838,628)
Net book amount	1,603,213	655,287	756,332	-	3,014,832

### 12. INTANGIBLE ASSETS

	SOFTWARE	INTELLECTUAL PROPERTY	TOTAL
<b>At 30 June 2017</b>			
At cost	1,703,207	69,083,944	70,787,151
Accumulated amortisation	(1,092,122)	(11,837,702)	(12,929,824)
Net book amount	611,085	57,246,242	57,857,327
<b>Year ended 30 June 2018</b>			
Opening net book amount	611,085	57,246,242	57,857,327
Forex difference – cost	32,759	1,963	34,722
Forex difference – accumulated amortization	(31,349)	(711)	(32,060)
Additions	12,662	26,551,478	26,564,140
Amortisation charge	(449,875)	(8,293,721)	(8,743,596)
Closing net book amount	175,282	75,505,251	75,680,533

## Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2018

### 12. INTANGIBLE ASSETS (CONTINUED)

	SOFTWARE	INTELLECTUAL PROPERTY	TOTAL
<b>At 30 June 2018</b>			
At cost	1,748,628	95,637,385	97,386,013
Accumulated amortisation	(1,573,346)	(20,132,134)	(21,705,480)
Net book amount	175,282	75,505,251	75,680,533

### 13. TRADE AND OTHER PAYABLES

	2018 \$	2017 \$
Trade payables	3,800,099	1,996,287
Payroll tax and other statutory liabilities	10,782,074	3,566,866
Sundry payables and accrued expenses	5,060,809	3,674,082
Total trade and other payables	19,642,982	9,237,235

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value. Information about the Group's exposure to foreign exchange risk is provided in Note 2(a)(i).

### 14. DEFERRED REVENUE

Deferred revenue is recognised over the period during which the service is provided.

	2018 \$	2017 \$
Research and development	5,722,660	4,807,568
Annual license and maintenance	191,009	6,420,692
Maintenance	3,302,383	1,508,330
Professional service	419,205	470,104
Total deferred revenue	9,635,257	13,206,694

## Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2018

### 15. PROVISIONS

	2018 \$	2017 \$
<b>Current</b>		
Annual leave	2,476,241	1,893,687
Long service leave	140,263	90,213
	2,616,504	1,983,900
<b>Non-current</b>		
Long service leave	230,255	160,670
Make good obligation	296,259	292,955
	526,514	453,625

The current portion of these liabilities represents the Group's obligations to which the employee has a current legal entitlement. These liabilities arise mainly from accrued annual leave entitlements at the reporting date. A provision has been recognised for employee benefits relating to long service leave for employees. In calculating the present value of future cash outflows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits have been included in Note 1(o).

Nuix is required to restore the leased office at 1 Market Street in Sydney and Unit 17C in Cork Airport Business Park in Cork to the original condition at the end of the respective leases. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

### 16. BORROWINGS

	NOTE	2018 \$	2017 \$
<b>Non-current</b>			
Bank Loans	(a)	20,000,000	15,000,000

#### (a) Secured liabilities

Nuix Pty Ltd utilised the cash facility of \$20,000,000 out of \$30,000,000 (\$20M AUD and \$7.5M USD). The financing is provided by Commonwealth Bank of Australia with interest repayable on a quarterly basis over the term of the loan. The facility is secured over the Group's assets.

Drawdown made during 2018 was \$5,000,000 (2017: nil).

## Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2018

### 17. ISSUED CAPITAL

	NOTE	2018 \$	2017 \$
217,390,649 (2017: 212,389,650) fully paid ordinary shares	(a)	17,809,218	8,801,888

The issued shares do not carry a par value.

	NUMBER #	ISSUE PRICE* \$	AMOUNT \$
<b>Movements in issued capital</b>			
Balance as at 1 July 2016	200,723,300		7,424,512
Shares issued during 2017	11,666,350	0.12	1,377,376
Balance as at 30 June 2017	212,389,650		8,801,888
Shares issued during 2018	5,000,999	1.80	9,007,330
Balance as at 30 June 2018	217,390,649		17,809,218

\*weighted average price

Ordinary shares participate in dividends and the proceeds upon winding up of the Company, proportionately to the shareholding. At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

#### a. Capital risk management

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with returns and ensure that the Group can fund its operations and continue as a going concern. The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements aside from debt covenants. Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

### 18. EQUITY

#### a. Share-based payments

The share-based payments reserve is used to recognise:

- the grant date fair value of options issued to employees but not exercised,
- the grant date fair value of shares issued to employees, and
- the grant date fair value of shares issued to shareholders.

## Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2018

### b. Movement in reserves

	2018 \$	2017 \$
<b>Share option reserves</b>		
As at 1 July	3,511,320	2,753,493
Share based payment costs	1,176,210	757,827
As at 30 June	4,687,530	3,511,320
<b>Option buy-back reserve</b>		
As at 1 July	-	-
Buy-back of options	(6,176,255)	-
As at 30 June	(6,176,255)	-
<b>Foreign currency translation reserve</b>		
As at 1 July	1,811,947	1,959,644
Foreign currency translation reserve	375,955	(147,697)
As at 30 June	2,187,902	1,811,947
<b>Total Reserve</b>	<b>699,177</b>	<b>5,323,267</b>

### c. Retained earnings

	2018 \$	2017 \$
Retained earnings	55,875,278	47,330,693
Net profit for the year	10,989,512	8,544,585
Total retained earnings	66,864,790	55,875,278

## 19. DIVIDENDS

During the year the Directors did not declare an interim dividend (2017: Nil) and have not recommended a final dividend be paid after 30 June 2018 (2017: Nil). Franking credits arising from the payment of income tax, by the parent entity, Nuix Pty Ltd, during the years ended 30 June 2018 and 30 June 2017 are represented below.



## Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2018

Franking credits	Parent Entity	
	2018 \$	2017 \$
Franking Credits Attributable To Parent Entity		
Franking credits available for subsequent financial years based on a tax rate of 30% (2017: 30%)	668,772	668,772

The amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax,
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date (2017: Nil), and,
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date (2017: Nil).

Franking credits attributable to the parent entity only are represented above. If the distributable profits of the subsidiaries were paid as dividends the consolidated amounts would include franking credits.

The jurisdictional income tax paid by the subsidiaries is set out below:

	2018 \$	2017 \$
Nuix Ireland Ltd	10,684	760,848
Nuix North America Inc.	245,032	263,711
Nuix Technology UK Ltd	-	109,047
Nuix Philippines Regional Operating Headquarters	3,790	-
	259,506	1,133,606

### 20. AUDITORS' REMUNERATION

	2018 \$	2017 \$
<b>PricewaterhouseCoopers Australia</b>		
Audit and other assurance	225,000	187,000
Other assurance	27,000	22,000
Total for audit and other assurance	252,000	209,000
Taxation services	14,000	14,000
Total for taxation services	14,000	14,000
Total for PricewaterhouseCoopers Australia	266,000	223,000

It is the Group's policy to engage PricewaterhouseCoopers Australia on assignments in addition to their statutory audit duties where their expertise and experience with the Group are important.

## Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2018

These assignments are principally tax advice. It is the Group's policy to seek competitive tenders for all major consulting projects.

### 21. LEASING COMMITMENTS

Lease commitments: Non-cancellable operating leases: Group as lessee

The Group leases various offices under non-cancellable operating leases expiring within one to three years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Commitments in relation to finance leases are payable as indicated in the table below.

	2018 \$	2017 \$
Within one year	2,689,960	2,452,663
Later than one year but not later than five years	5,929,130	2,641,214
Later than five years	3,826,660	-
Minimum lease payments	12,445,750	5,093,877

### 22. RELATED PARTY DISCLOSURES

#### a. Parent entity

The parent entity within the Group is Nuix Pty Ltd. The ultimate parent entity is also Nuix Pty Ltd.

#### b. Interests in other entities

Name of entity	Place of business/ country of incorporation	Ownership interest held by the Group		Ownership interest held by non- controlling interests		Principal activities
		2018	2017	2018	2017	
Nuix North America, Inc	USA	100%	100%	0%	0%	Sale of Software
Nuix Ireland Ltd	Ireland	100%	100%	0%	0%	Sale of Software
Nuix Pte Ltd	Singapore	100%	100%	0%	0%	Sale of Software
Nuix Holding Pty Ltd	Australia	100%	100%	0%	0%	Holding Company
Nuix USG Inc.	USA	100%	100%	0%	0%	Sale of Software
Nuix Technology UK Ltd	UK	100%	100%	0%	0%	Sale of Software
Nuix Philippines ROHQ	Philippines	100%	100%	0%	0%	Business Support

## Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2018

### c. Transactions with other related parties

The parent entity enters into commercial arm's length distribution and reseller agreements between the Group subsidiaries. These agreements are entered into on normal and commercial terms.

### d. Loans to / from related parties

	2018 \$	2017 \$
<b>Loan (from) / to Nuix Ireland Ltd to Nuix UK*</b>		
Balance at 1 July	91,668	209,634
Payments received	(1,194,437)	(183,196)
Interest charged	42,708	65,230
Balance as 30 June	(1,060,061)	91,668
<b>Loan from Nuix Ireland Ltd to Nuix Pte. Ltd.</b>		
Balance at 1 July	-	240,223
Payments received	-	(261,778)
Interest charged	-	21,555
Balance as 30 June	-	-
<b>Loan to Nuix Ireland Ltd to Nuix USA**</b>		
Balance at 1 July	14,518,389	12,722,627
Loans advanced	-	1,344,260
Payments received	(11,041,276)	-
Interest charged	351,042	451,502
Balance as 30 June	3,828,155	14,518,389
<b>Loan to Nuix USA** to Nuix USG</b>		
Balance at 1 July	1,375,892	670,040
Loans advanced	417,937	668,647
Interest charged	88,098	37,205
Balance as 30 June	1,881,927	1,375,892
<b>Loan from Nuix Regional Operating Headquarters to Parent</b>		
Balance at 1 July	(102,981)	857
Loans advanced	14,178	-
Payments received	-	(104,546)
Interest charged	13,600	708
Balance as 30 June	(75,203)	(102,981)

## Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2018

### d. Loans to / from related parties (continued)

	2018 \$	2017 \$
<b>Loan to / (from) Parent to Nuix USA**</b>		
Balance at 1 July	(12,440,596)	(1,315,627)
Loans advanced	19,784,307	-
Payments received	-	(11,017,304)
Interest charged	(218,301)	(107,665)
Balance as 30 June	7,125,410	(12,440,596)
<b>Loan from Parent to Nuix Ireland Ltd</b>		
Balance at 1 July	(13,709,030)	(13,462,555)
Loans advanced	12,546,897	170,291
Interest charged	268,679	(416,766)
Balance as 30 June	(893,454)	(13,709,030)
<b>Loan to Parent to Nuix Singapore</b>		
Balance at 1 July	237,191	-
Loans advanced	(82,354)	-
Payments received	-	228,726
Interest charged	(10,433)	8,465
Balance as 30 June	144,404	237,191

\*Nuix UK is an abbreviation for Nuix Technology UK Ltd

\*\*Nuix USA is an abbreviation for Nuix North America Inc.

## 23. SHARE-BASED PAYMENTS

### a. Employee Share Option Plan (ESOP)

The establishment of the Nuix Pty Limited ESOP was approved by the Board of Directors on or around fiscal year 2012. The ESOP is designed to align the interests of eligible employees more closely with shareholders and provide greater motivation and incentive for them to focus on the Company's longer-term goals. Under the plan, participants are granted Options which may only be exercised if the Relevant Requirement has been met.

## Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2018

Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. To be eligible to receive an Option Invitation, an Employee must have at least six months continuous employment with the Company at the time invitations are issued, not be on a Performance Improvement Plan and not be employed as an Intern.

Options are granted under the plan for no consideration and carry no dividend or voting rights and are Non-statutory Stock Options. Option holders cannot assign, transfer, sell or otherwise deal with the Options granted under the Plan without Board of Directors' approval.

The amount of Options that vest depends upon the vesting rules of the respective Plan rules (generally three to five years). The Options vest in a series of successive equal monthly instalments beginning on the first anniversary of the Vesting Commencement Date, subject to the Optionholder's continued employment with the Company.

Once vested, the Options become exercisable following the consummation of a Corporate Transaction / Liquidity Event (as defined in the Plan rules) or a date determined by the Board. However, under some earlier Plan rules, Options are exercisable for a period of three years once they become fully vested. Following the exercise of the Options, a vested Option is converted into one ordinary share within a certain number of business days as determined by the Plan rules (generally ten to fifteen business days). The exercise price of options is determined by a combination of internal and external valuation methodologies and presided over by the Board of Directors.

Set out below are summaries of options granted under the plan:

	2018		2017	
	\$	#	\$	#
<b>Average Exercise Price Per Number of Share Options</b>				
As at 1 July	0.72	52,591,250	0.27	86,301,250
Granted during the year	2.30	1,530,000	1.97	9,465,000
Exercised during the year	0.12	(3,959,150)	0.04	(6,210,000)
Sold	-	-	0.10	(9,476,350)
Forfeited during the year	0.80	(7,565,000)	0.12	(27,488,650)
As at 30 June	0.81	42,597,100	0.72	52,591,250
Vested and exercisable at 30 June	0.01	15,368,900	0.03	16,610,000

## Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2018

Share Options outstanding at the end of the year have the following expiry date and exercise prices

Grant Date	Last Exercise Date (Led)	Weighted Average Exercise Price	Share Options (Post Split) 30 June 2018	Share Options (Post Split) 30 June 2017
FYE 2006	LE	\$0.0002	15,000,000	15,000,000
FYE 2007	< APR15	n/a	-	-
FYE 2008	< MAR16	n/a	-	-
FYE 2009	< MAR17	n/a	-	-
FYE 2010	LE	\$0.06	1,935,850	3,785,000
FYE 2011	LE & <MAR17	\$0.10	1,709,700	2,885,000
FYE 2012	LE & <MAR18	\$0.31	1,372,800	3,387,500
FYE 2013	30-MAR-17	\$0.61	1,677,500	2,827,500
FYE 2014	LE	\$0.86	3,682,500	5,802,500
FYE 2015	CT	\$1.42	7,867,500	9,563,750
FYE 2016	CT	\$1.77	2,623,750	3,887,500
FYE 2017	CT	\$2.02	5,625,000	5,402,500
FYE 2018	CT	\$2.27	1,102,500	50,000
Total		0.81	42,597,100	52,591,250
Weighted average remaining contractual life of options outstanding at end of period			2.0 years	2.9 years

### b. Fair value of Options granted

The assessed fair value at grant date of Options granted during the year ended 30 June 2018 was \$2.0 - \$2.40 per Option (2017 – \$2.0). The fair value at grant date is independently determined using an adjusted form of the Black Scholes Model that takes into account the exercise price, the term of the Option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the Option and the correlations and volatilities of the peer group companies.

The model inputs for Options granted during the year ended 30 June 2018 included:

Options are granted for no consideration and vest over a five-year period. Vested Options are exercisable following the consummation of a Corporate Transaction or a date determined by the Board.

- exercise price: \$2.00 - \$2.40 (2017 – \$2.00)
- grant date: generally tied to an employee's hire date
- expiry date: 7 years after grant date for Australian employees and 10 years after grant date for non-Australian employees (2017 – same conditions as 2018)
- share price fair value: \$2.40 (2017 – \$2.00) - stock split (1:50) during the FY2017
- expected price volatility of the company's shares: 19.45% (2017 – 21.03%)
- expected dividend yield: 0% (2017 – 0%)
- risk-free interest rate: 2.70% (2017 – 3.24%)

## Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2018

The expected price volatility is based on the historic volatility (based on the remaining life of the Options), adjusted for any expected changes to future volatility due to publicly available information.

### c. Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2018 \$	2017 \$
Equity Compensation Cost	1,167,751	757,826

## 24. CASH FLOW INFORMATION

	2018 \$	2017 \$
<b>Reconciliation of Cash Flow from Operating Activities with Profit for the Year</b>		
Profit for the year (before income tax)	13,661,014	13,229,540
<i>Non-cash flows in profit:</i>		
Depreciation	2,221,279	2,671,968
Amortisation	8,743,596	5,993,643
Receivables write-off	493,061	986,722
Share based payment expense	1,167,751	757,827
Net exchange rate differences	525,059	992,582
Fixed assets write-off	4,746	-
<i>Changes in Assets and liabilities:</i>		
(Increase) / Decrease in trade and other receivables	(5,034,505)	3,249,952
(Increase) / Decrease in other current assets	96,460	231,896
Increase / (Decrease) in trade and other payables	2,288,961	(2,074,830)
Decrease in deferred revenue	(5,247,654)	(954,111)
Increase in bad debt provision	-	50,469
Increase in employee benefits	2,642,720	1,427,309
Decrease in current tax liabilities	(234,297)	(1,205,668)
Increase in other liability	230,433	25,184
Increase in provision for make good	3,304	41,447
<b>Balance as 30 June</b>	<b>21,561,928</b>	<b>25,423,930</b>

## Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2018

### 25. EARNINGS PER SHARE (EPS)

#### a) Basic EPS

	2018 \$	2017 \$
Profit attributable to equity holders of the Company	10,989,512	8,544,585
Basic weighted average number of ordinary shares	212,430,754	206,710,717
Basic EPS	0.05	0.04

#### b) Diluted EPS

	2018 \$	2017 \$
Profit attributable to equity holders of the Company	10,989,512	8,544,585
Basic weighted average number of ordinary shares	212,430,754	206,710,717
Shares issuable in relation to options	49,196,535	71,214,299
Diluted weighted average number of ordinary shares	261,627,289	277,925,016
Diluted EPS	0.04	0.03

### 26. PARENT ENTITY FINANCIAL INFORMATION

	2018 \$	2017 \$
Current assets	33,213,562	27,653,228
Non-current assets	76,212,480	58,319,103
<b>Total assets</b>	<b>109,426,042</b>	<b>85,972,331</b>
Current liabilities	19,947,433	9,764,938
Non-current liabilities	25,611,401	47,108,468
<b>Total liabilities</b>	<b>45,558,834</b>	<b>56,873,406</b>
<b>Net assets</b>	<b>63,867,208</b>	<b>29,098,925</b>
<b>Equity</b>		
Issued capital	17,809,218	8,801,888
Retained earnings	47,537,908	17,122,890
Reserves	(1,479,918)	3,174,147
<b>Total equity</b>	<b>63,867,208</b>	<b>29,098,925</b>
<b>Profit for the year</b>	<b>30,415,018</b>	<b>3,909,417</b>



# Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2018

## Determining the parent entity financial information

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out below.

### (i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Nuix Pty Ltd. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

#### i. Share-based payments

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

## 27. EVENTS AFTER THE REPORTING DATE

### (a) Acquisition of Ringtail

On 10 September 2018, Nuix North America, Inc acquired from FTI Ringtail's business assets, for consideration of USD \$53,943,901. Ringtail eDiscovery software delivers a unique visual approach to many phases of eDiscovery from early case assessments and investigations to document review and trial preparation. The acquisition is expected to increase the Group's market share and boost revenue growth.

The financial effects of this transaction have not been recognized at 30 June 2018. The operating results and assets and liabilities of of the acquired company will be consolidated from 10 September 2018.

#### (i) Purchase consideration

Details of the consideration transferred are:

Purchase consideration	
Base Purchase Price	55,000,000
Working Capital	(1,056,099)
	<b>53,943,901</b>

The provisionally determined fair values of the assets and liabilities of Ringtail as at the acquisition date are as follows:

	FAIR VALUE (USD)
Brand	2,000,000
Software	44,450,000
Prepayment	5,199,890
Deferred Tax Asset	127,358
Accounts Receivables	1,323,526
Unbilled Revenue	601,065
Prepaid Expense	259,015
Bonus Accruals	(606,468)
Unearned Revenue	(2,633,237)
Deferred Tax Liability	(420,000)
<b>Net Identifiable assets acquired</b>	<b>50,301,149</b>
Goodwill	3,642,752
<b>Net Assets acquired</b>	<b>53,943,901</b>

The Goodwill is attributable to Ringtail's strong position in the eDiscovery market and synergies expected to arise after the acquisition. Goodwill is expected to be deductible for tax purpose in the USA over 15 years.

(b) Contingent consideration

There is no contingent consideration paid on the settlement of the acquisition.

(c) Acquisition – related costs

Acquisition related costs of USD \$211,029 will be included in other expenses in Profit or Loss in the reporting period ending 30 June 2019.

(d) Information not disclosed as not yet available

At the time of financial statements were authorized for issue, the group had provisionally completed the accounting for the acquisition. The fair values of the assets and liabilities disclosed above have only been determined provisionally as the valuation process has not been finalised.


## Director's Declaration

The Directors have determined that the Company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The Directors of the Company declare that:

- a. The financial statements and notes as set out on pages 13 to 57 are in accordance with the Corporations Act 2001, including:
  - (iv) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
  - (v) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its performance for the financial year ended on that date, and
- b. At the date of this declaration, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

SIGNED:  \_\_\_\_\_

Daniel Phillips

Chairman

Sydney, Australia

19 October 2018



## *Independent auditor's report*

To the members of Nuix Pty Ltd

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### *Our opinion*

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of Nuix Pty Ltd (the Company) and its controlled entities (together the Group) as at 30 June 2018 and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

### ***What we have audited***

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2018
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

### ***Independence***

We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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### *Emphasis of matter - basis of accounting and restriction on distribution and use*

We draw attention to Note 1 in the financial report, which describes the basis of accounting. The financial report has been prepared for internal purposes to assist Nuix Pty Ltd. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for Nuix Pty Ltd and should not be distributed to or used by parties other than Nuix Pty Ltd. Our opinion is not modified in respect of this matter.

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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### *Other information*

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018, including the Corporate Directory, Chairman's Report, CEO's Message, Business Overview, Director's Report and Shareholder Information, but does not include the financial report and our auditor's report thereon.

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

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

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

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### *Responsibilities of management and the directors for the financial report*

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and for such internal control as Management determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the Group's financial reporting process.

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### *Auditor's responsibilities for the audit of the financial report*

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



A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). This description forms part of our auditor's report.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Adam Thompson', written over the printed name.

Adam Thompson  
Partner

Sydney  
19 October 2018

## Shareholder Information

The shareholder information set out below was applicable as at 19 October 2018

### Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	-	-
1,001 to 5,000	-	212,500
5,001 to 10,000	-	862,500
10,001 to 100,000	150,000	3,092,500
100,001 and over	217,240,649	38,429,600
	<b>217,390,649</b>	<b>42,597,100</b>
<b>Holding less than a marketable parcel</b>	-	-

### Unquoted equity securities

	Number on issue	Number of holders
Ordinary shares	217,390,649	29
Options over ordinary shares	42,597,100	315

### Substantial holders

Substantial holders in the Company are set out below:

	Number of ordinary shares held	Percentage of ordinary shares issued
MACQUARIE CAPITAL GROUP LIMITED	154,452,317	71.05%
CAVILL ARMITAGE SERVICES PTY LTD	17,939,783	8.25%
BLACKALL LIMITED	13,345,750	6.14%

### Voting rights

The voting rights attached to ordinary shares are set out below.

#### Ordinary shares

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

There are no other classes of equity securities.



# Nuix to Solve

Extract and Process Intelligence

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