IMPORTANT NOTICE - Financial statements for the financial year ended 30 June 2019

These financial statements are historical financial statements for Nuix Limited ACN 117 140 235 (**Nuix**) for the financial year ended 30 June 2019 (**FY19**).

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

The financial statements for FY19 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 FY19 should do so with reference to the restated comparatives for FY19 in the consolidated annual report of Nuix for FY20, including the notes and details explaining the restatements.

nuix.com

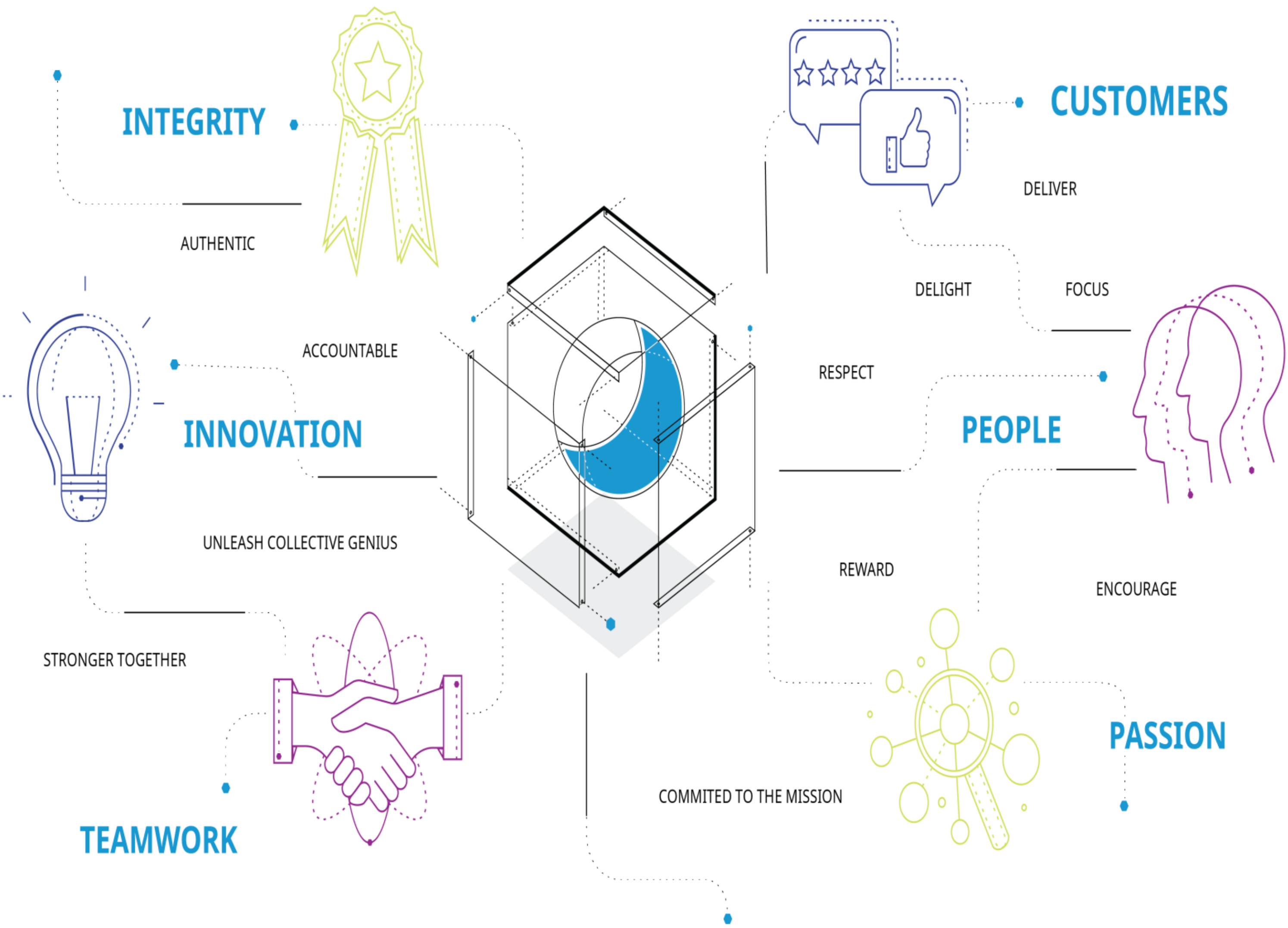
NUIX PTY LTD AND CONTROLLED ENTITIES

ANNUAL REPORT

30 June 2019

ABN 80 117 140 235

nuix.com

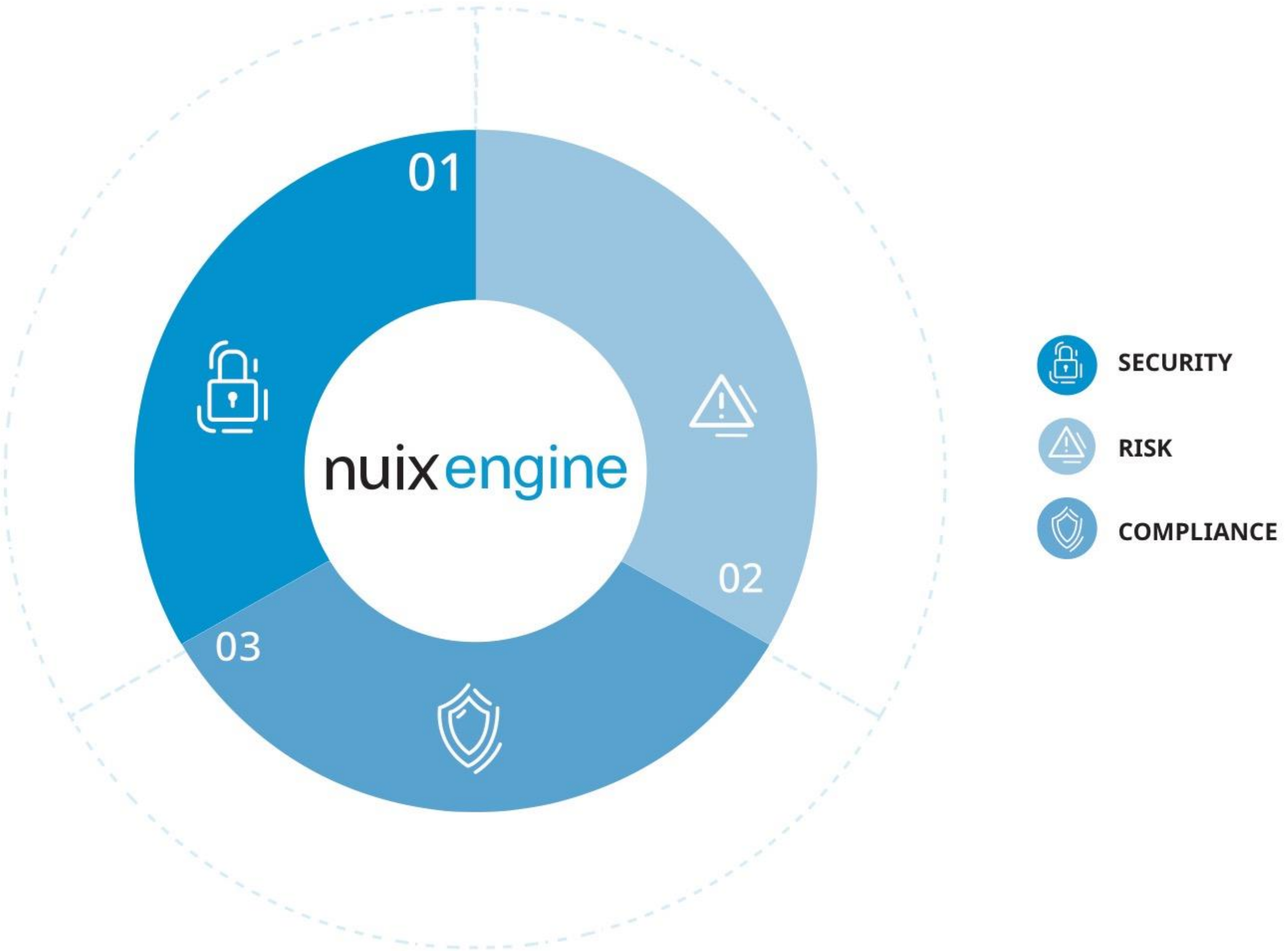


FINDING TRUTH IN A DIGITAL WORLD

Simple. Powerful. Precise.

Contents

Nuix Technology Target Markets



Corporate Directory

Directors	Daniel Phillips – Non-Executive Director and Chairman, Non-Independent David Standen – Non-Executive Director, Non-Independent Roy Frank Grady – Non-Executive Director, Independent Mark Warren de Ambrosis – Non-Executive Director, Non-Independent Jeffrey Bleich – Non-Executive Director, Independent Rod Vawdrey – Executive Director, Non-Independent Anthony Castagna* – Non-Executive Director, Non-Independent *re-appointed as Director last 8 August 2019
Group Chief Executive Officer	Rod Vawdrey
Chief Financial Officer	Stephen Doyle
Registered Office and Share Registry	Nuix Pty Ltd Level 27 1 Market Street SYDNEY, NSW 2000 Telephone: +61 2 9280 0699 Facsimile: +61 2 9212 6902
Company Secretaries	Stephen Doyle Brian Krupczak
Auditors	PricewaterhouseCoopers One International Towers Watermans Quay, Barangaroo SYDNEY NSW 2000
Legal Advisors	DLA Piper Australia 140 William Street Melbourne VIC 3000 PO Box 4301 Australia
Bankers	Commonwealth Bank of Australia Business Banking Level 8, 201 Sussex Street SYDNEY NSW 2000
Financiers	Commonwealth Bank of Australia Business Banking Level 8, 201 Sussex Street SYDNEY NSW 2000
Website Address	www.nuix.com

Chairman's Report

Dear Shareholder,

The Board of Nuix Pty Ltd (hereafter referred to as 'Nuix' or 'Group' or 'Company') is pleased to present the Annual Report of the Company and its subsidiaries for the financial year ended 30 June 2019. This year, the Group earned total sales of $150,120,898 (2018: $120,118,636), representing 25% growth. The Group achieved a full-year profit after tax of $14,685,930 compared with $10,989,512 in the previous year.

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 Original Equipment Manufacturer (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 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 2020 and beyond, we are focused on continuing to deliver strong year-on-year revenue growth.

On behalf of the Board, I would like to thank the entire talented, passionate and committed Nuix team for their efforts during the year, as well as acknowledge and thank our shareholders for their ongoing support during the last financial year. We look forward to the exciting next chapter in Nuix's history.

SIGNED: ______________________________

Daniel Phillips

Chairman

Sydney, Australia

22 June 2020

CEO's Message

Nuix is a unique and dynamic business, with more than 2,000 customers across government, regulators, advisories, law firms and enterprises in over 75 countries – directly and through our growing partner network. Our patented Nuix Engine – a proprietary technology for supercharged data processing – enables our customers to solve the world's most complex risk, compliance and security challenges.

Nuix achieved solid growth again in 2019 with a strong contribution from the Ringtail legal review platform, which we acquired from FTI Technology in September 2018.

To harness our expertise in eDiscovery and investigations, we have reinvented Ringtail as Nuix Discover and Nuix Web Review & Analytics as *Nuix Investigate*. We are continuously enhancing our product strategy, capturing innovation and empowering our people so we can remain a leader in our industry.

We have pushed into new geographic markets, specifically Germany, Japan and New Zealand. We have also reinforced our organisation's structure and operating models and continued to invest in our long-term vision.

A STRONG FOUNDATION FOR GROWTH

In FY19, Nuix achieved 25% year on year growth to AU$150 million. A highlight was significantly increasing Nuix Discover (formerly Ringtail) revenue – a double-digit contribution to the FY19 total – in just nine months. Now that we have completed the integration of Ringtail technology and resources, we anticipate Nuix Discover will deliver significant growth in FY20.

As we exited the last financial year, Nuix formed a new Executive Committee and united the company under refreshed vision, mission and strategic goals to embrace changing market opportunities and new use cases that will drive growth in FY20 and beyond.

We continue to invest in improved processes and systems with the completed rollout of the Agile development model; ongoing improvements to customer relationship management processes; and the first customer implementations of our cloud licensing model.

We added more than 100 team members across development, distribution and supporting functions to help us increase new customer and partner acquisition and strengthen our product development.

Our renewed vision and mission will signal a clear market position while guiding our strategic direction and underpinning our decision-making.

Nuix Vision: Finding Truth in a Digital World.

Nuix Mission Statement: Nuix creates innovative software that empowers organizations to simply and quickly find the truth from any data in a digital world. We are a passionate and talented team, delighting our customers with software that transforms data into actionable intelligence.

FINDING TRUTH IN A DIGITAL WORLD

We are experiencing huge market appetite for solutions that address the constantly evolving risks and threats of the modern data-driven world. Processing, storing and regulating data are constantly becoming more complex, forcing corporations and governments to increase their investments in identifying risk and ensuring data quality, governance and compliance.

This presents Nuix with growing opportunities to provide enterprise-wide solutions; address big data and corporate hygiene issues across key highly regulated industries; and deepen our relationships with global advisories, litigation support vendors, systems integrators and risk consulting firms.

CEO's Message (continued)

Just as our customers are converging their teams to manage risk, compliance and security, we are providing a powerful, intuitive solution 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.

FY19 marked an important maturation in Nuix's journey. Nuix is poised to continue our track record of growth, with a well-defined product roadmap, vision and value proposition, which we continually reinforce to our customers, partners, investors and our people. I am confident that we will continue to exceed our own high standards of excellence.

SIGNED: ______________________________

Rod Vawdrey

Group CEO

Sydney, Australia

22 June 2020

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, Enigma Advisory Group, EPIQ, Ernst & Young, FTI, Grant Thornton, KPMG, M&A Treuhand, PwC, RSM, Seclorum GmbH, and Venturecorp Development 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 3B Data Security, Data Narro, Enhanced Litigation Management Systems, Exiger, FRONTEO, H5, Incident Response Solutions, Innovative Discovery, Kroll Ontrack, Law In Order, LDM Global Australia, Lighthouse eDiscovery, Lynaza, Rapu, Ricoh, and Sentre Consulting use Nuix software primarily to process large volumes of digital evidence for the 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 Archer & Greiner, Arthur Cox, Baker & McKenzie, Bereskin & Parr, Egerton McAfee Armistead & Davis, Fredrikson & Byron, Herbert Smith Freehills, KE-IP, Morgan Lewis & Bockius, Nelson Mullins, Paul Weiss, Post & Schell, Rajah & Tann Singapore, Reed Smith, Stanley & Schmidtt, and Zerbe Miller Fingeret Frank & Jadav 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), Competition Bureau Canada, Criminal Investigation Bureau-National Police Agency, Czech Republic Ministry of Interior - Police Presidium, Direction du Renseignement et de la Sécurité de la Défense, Dutch Police, Federal Bureau of Investigation, Gendarmerie Nationale (France), Geneva Police, Guardia di Finanza (Italy), Hellenic Police, HM Revenue and Customs, Indonesian State Intelligence Agency, Korea Defense Security Support Command, Landeskriminalamt (German State Police), London Metropolitan Police, Ministry of Defence (Israel), Ministry of Defence (Pakistan), National Cyber Crime Unit (UK), NATO Support and Procurement Agency (NSPA), New Jersey State Police, National Security Agency, NSW Crime Commission, New York City Department of Investigation, Polizeipräsidium Oberbayern Süd (Germany), Police Scotland, Saudi Ministry of Interior, Regional Prosecutor's Office in Warsaw (Prokuratura Regionaln), Singapore Ministry of Home Affairs, Turkish National Police Intelligence, US Army - 513th MI Brigade, and US DOJ - National Security Division.

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."

Business Overview (continued)

Federal, state, and local government agencies including Attorney General's Department, Agencia de Defensa de la Competencia de Andalucía, Agency for the Protection of Competition of Montenegro, Audit Office of New South Wales, Australian Bureau of Statistics, Australian Department of Health, Australian Department of Foreign Affairs and Trade, Australian Department of Human Services, Australian Taxation Office, Chester County District Attorney's Office, Department of Interior-US Fish & Wildlife Service, District of Columbia Inspector General, Executive Office for US Attorneys, Executive Office of the President (USA), Idaho Department of Transportation, Egypt Cert, Florida State Board of Administration, Gobierno Navarra, Government Technology Agency of Singapore (GovTech), House- Committee on Natural Resources, Independent Commissioner Against Corruption- Northern Territory, and the Ministry of Presidential Affairs UAE, National Science Foundation OIG, New York City Law Department, NSW Department of Education and Training, Office of the Registrar of Indigenous Corporations, Scottish Government, Social Security Administration OIG, State of Massachusetts OIG, State of Wyoming - Dept of Environmental Quality, Telecommunications Authority-Dubai, The Board of Audit and Inspection of Korea, Transport Canada, U.S Department of State: -Honduras-American Embassy Tegucigalpa, US Department of State, US House-Committee on Transportation and Infrastructure, US House-HPSCI, and 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, Canada Revenue Agency, China Securities Regulatory Commission, Federal Trade Commission (US), Financial Conduct Authority (UK), Federal Deposit Insurance Corporation, Hong Kong Securities and Futures Commission, Inland Revenue (New Zealand), Internal Revenue Service (US), Income Tax Department-New Delhi, Internal Revenue Service, Korea Fair Trade Commission, National Treasury SA, Oberfinanzdirektion Niedersachsen (Germany), Portuguese Securities Market 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, NASDAQ, National Australia Bank, Prudential Travelers Insurance, QBE, 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, Telstra, 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, Bupa, Endo Pharmaceuticals, Humana, Pfizer, Nebraska Medicine, 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 3rd Eye Techno Solutions Pvt Ltd., Adidas, AGL, Amazon, Archer Daniels Midland, Axxera, Betsson, Biogen Idec, Boston Globe, BPHA, CBS Corporation, Caterpillar, Chevron, Cybershield, Duke Energy, Deutsche Post AG, Dollar Tree, Eskom, Future Com, General Motors, Hancock Prospecting, Hochschule Wismar, Ingram Micro, Intel, Jaguar Land Rover, Landmark Group, Mediacom Communications, MGM Resorts International, Microsoft, National Grid, NCR Global, Pact Group, Page Group, Paycom Corporation, Peabody Energy, Petrobras, Petros, Procter & Gamble, Raytheon, Rio Tinto, Salesforce, Samsung, Shell International, Shimuzi Corporation, Sony Pictures, Suncor Energy, Tabcorp, Tata Consultancy Services, Tatweer Petroleum, TechnipFMC, The Document Group, Today Translations, Toyota, Universal Entertainment, Vale BR, Valeo Spain, Walmart, Walt Disney, and Welsh Water. 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.

Non-commercial enterprises such as schools, universities, and non-government organisations include DC Resources Inc., Harper Adams University, International Federation of Red Cross and Red Crescent Societies (Switzerland), International Labour Organization, and Naif Arab University for Security Sciences.

Directors' 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 2019.

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:

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

The company secretaries are Stephen Doyle and Brian Krupczak, who were appointed to the position of company secretary in 2011 and 2015, respectively. Anthony Castagna was re-appointed as Director last 8 August 2019.

Operating results

The profit of the Group for the financial year after providing for income tax amounted to $14,685,930 (2018: $10,989,512).

Review of operations

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

	2019	2018	2018-2019 MOVEMENT
Sales	150,120,898	120,118,636	25%
EBITDA*	40,795,419	25,366,979	61%
NPAT**	14,685,930	10,989,512	34%
Operating cash flow	18,474,290	21,561,928	-14%
Working capital	50,709,440	30,179,463	68%
Orders backlog	21,110,232	6,404,691	230%

**EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation*
*** NPAT - Net Profits after Tax*

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

Summary	2015	2016	2017	2018	2019
Total Revenue	74,224,534	101,923,960	102,090,636	120,118,636	150,120,898
EBITDA	19,672,764	25,050,009	22,604,344	25,366,979	40,795,419
NPAT	13,449,635	14,025,129	8,544,585	10,989,512	14,685,930

Directors' Report (continued)

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

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 Group's liquidity and is 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

On 9th 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 has increased the Group's market share and boost revenue growth.

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

The COVID-19 coronavirus outbreak was declared a pandemic by the World Health Organisation on 11 March 2020. The outbreak and the response of governments in dealing with the pandemic is interfering with general activity levels within the community and the economy. The scale and duration of these developments continue to remain uncertain as at the date of this report. The Group does not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of the outbreak on the Group at this time however does not believe it would be material or adverse.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected the Group's operations, results or state of affairs, or may do so in future 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.

Directors' Report (continued)

Meetings of directors

The numbers of meetings of the company's board of directors held during the fiscal year ended 30 June 2019, and the numbers of meetings attended by each director were:

	Full meetings of directors	
	A	**B**
Daniel Phillips	7	7
David Standen	7	7
Roy Frank Grady	7	7
Mark Warren de Ambrosis	7	7
Jeffrey Bleich	7	7
Rod Vawdrey	7	7

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.

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.

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

22 June 2020

Income Statement

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2019

	NOTES	2019 $	2018 $
Sales	5	150,120,898	120,118,636
Cost of goods sold		(13,607,584)	(10,354,915)
Gross profit		136,513,314	109,763,721
Sales and distribution		(57,801,522)	(53,575,892)
Research and development		(6,607,097)	(4,015,335)
General and administration		(51,751,642)	(37,771,103)
Other income	6	960,035	763,149
Other gains - net	4	1,023,487	407,340
Operating profit		22,336,575	15,571,880
Finance costs	4	(894,918)	(743,115)
Share based payments expense	4	(149,818)	(1,167,751)
Profit before income tax		21,291,839	13,661,014
Income tax expense	7	(6,605,909)	(2,671,502)
Profit for the year	18	14,685,930	10,989,512
Exchange differences on translation of foreign operations	18	1,776,047	375,955
Total comprehensive income for the year		**16,461,977**	**11,365,467**

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 2019

	NOTES	2019 $	2018 $
Current assets			
Cash and cash equivalents	8	27,331,898	26,998,317
Trade and other receivables	9	44,900,443	34,251,863
Other current assets	10	9,316,380	1,769,109
Total current assets		81,548,721	63,019,289
Non-current assets			
Property and equipment	11	3,117,793	3,014,832
Intangible assets	12	167,566,178	75,680,533
Deferred tax asset	7	665,732	2,157,393
Total non-current assets		171,349,703	80,852,758
Total assets		252,898,424	143,872,047
Current liabilities			
Trade and other payables	13	14,639,295	19,642,982
Deferred revenue	14	11,973,369	9,635,257
Current tax liabilities		965,505	437,620
Provisions	15	3,261,112	2,616,504
Other liability		-	507,463
Total current liabilities		30,839,281	32,839,826
Non-current liabilities			
Deferred tax liabilities	7	7,430,965	5,132,522
Provisions	15	543,391	526,514
Borrowings	16	25,681,820	20,000,000
Total non-current liabilities		33,656,176	25,659,036
Total liabilities		64,495,457	58,498,862
Net assets		**188,402,967**	**85,373,185**
Equity			
Issued capital	17	104,227,205	17,809,218
Reserves	18	2,625,042	699,177
Retained earnings	18	81,550,720	66,864,790
Total equity		**188,402,967**	**85,373,185**

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 2019

	ISSUED CAPITAL $	OPTION BUY-BACK RESERVE $	SHARE OPTION RESERVE $	FOREIGN CURRENCY TRANSLATION RESERVE $	RETAINED EARNINGS $	TOTAL EQUITY $
Balance at 1 July 2017	8,801,888	-	3,511,320	1,811,947	55,875,278	70,000,433
Profit for the year	-	-	-	-	10,989,512	10,989,512
Reserve option buy-back	-	(6,176,255)	-	-	-	(6,176,255)
Foreign currency reserve	-	-	8,459	375,955	-	384,414
Contributions of equity	9,007,330	-	-	-	-	9,007,330
Employee share options	-	-	1,167,751	-	-	1,167,751
Balance at 30 June 2018	**17,809,218**	**(6,176,255)**	**4,687,530**	**2,187,902**	**66,864,790**	**85,373,185**
Profit for the year	-	-	-	-	14,685,930	14,685,930
Foreign currency reserve	-	-	-	1,776,047	-	1,776,047
Contributions of equity	86,417,987	-	-	-	-	86,417,987
Employee share options	-	-	149,818	-	-	149,818
Balance at 30 June 2019	**104,227,205**	**(6,176,255)**	**4,837,348**	**3,963,949**	**81,550,720**	**188,402,967**

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 2019

	NOTES	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST and VAT)		135,920,234	111,138,416
Payments to employees and suppliers		(116,329,933)	(88,582,591)
Interest received		69,750	2,024
Interest paid		(860,968)	(736,415)
Income tax paid	19	(324,793)	(259,506)
Net cash provided by operating activities	24	18,474,290	21,561,928
Cash flows from investing activities			
Purchase of plant and equipment	11	(1,258,856)	(2,183,972)
Payments for / acquisition of intangible assets	12	(109,135,234)	(26,564,140)
Net cash used in investing activities		(110,394,090)	(28,748,112)
Cash flows from financing activities			
Proceeds from issuance of shares		86,417,987	9,007,330
Proceeds from borrowings	16	5,681,820	5,000,000
Net cash provided by financing activities		92,099,807	14,007,330
Net change in cash and cash equivalents		180,007	6,821,146
Cash and cash equivalents at beginning of financial year	8	26,998,317	20,341,298
Exchange differences on cash and cash equivalents		153,574	(164,127)
Cash and cash equivalents at end of financial year		**27,331,898**	**26,998,317**

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

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 22 June 2020.

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 2018.

(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(y).

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 2019 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2019

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

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 2019

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
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

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 business acquired, 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.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2019

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%

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2019

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.

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

AASB 9 introduced a new impairment model which is the new expected credit loss (ECL) model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment loss and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (eg trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12-month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

The Group applies the simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables as the assets does not contain significant financing component. Current trade and term receivables are non interest-bearing loans and generally on 30-45 days payment terms. A provision for impairment is recognised before the credit loss is incurred based on the relevant loss rates applied to outstanding balances of trade receivables. 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

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2019

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.

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.

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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 (CGUs) 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.

(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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2019

(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.

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	AMORTISATION 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 operations.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2019

(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.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2019

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.

(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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2019

(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.

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

The financial reporting standard on revenue from contracts with customers establishes a new five-step model to account for revenue arising from contracts with customers before revenue can be recognised.

- Identify contracts with customers;
- Identify the separate performance obligation;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations, and;
- Recognise the revenue as each performance obligation is satisfied.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2019

Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer (which excludes estimates of variable consideration that are subject to constraints, such as right of return exists, trade discounts, volume rebates and changes to the transaction price arising from modifications), net of any related sales taxes and excluding any amounts collected on behalf of third parties. An asset (goods or services) is transferred when or as the customer obtains control of that asset.

A performance obligation is satisfied and revenue recognized when control of the promise good or service is transferred to the customer. A customer obtains control of a good or service if it has the ability to direct the use of and obtain substantially all the remaining benefits from the good or service.

The Group evaluates the transfer of control primarily from the customer's perspective, which reduces the risk that revenue is recognized for activities that do not transfer control of a good or service to the customer.

The Group recognises revenue at the point in time that control of the license is transferred to the customer. This occurs when a customer is able to use and benefit from the license but not before the beginning of the stated license period.

One consideration in the recognition of revenue in the software industry is the use of temporary keys that can be turned off by the licensor automatically if the license expires or the customer does not make payments as required. The Company generally recognise revenue on the provision of a temporary key as long as this is customary, and it is not used only for demonstration or trial purposes and the customer has control of the software. The Company does make use of temporary keys; however, control passes to the customer when they obtain the temporary key and therefore revenue is recognised at this point. Temporary keys are used generally by the Company and not just for the provision of a trial or demonstrations.

Revenue is recognised for the major business activities as follows:

(i) Software license 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.

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 End User License Agreement (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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2019

(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 control of the goods to the customer.

(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.

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2019

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 the new and revised standars has resulted to the following changes Group's accounting policies:

(a) AASB 15 – Revenue from Contracts with Customers

The Group has adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018 which resulted in changes in accounting policies and revenue recognition process. Previous revenue recognition policy states that 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 revenue streams. In the current revenue recognition policy, the Group now applies the new five-step model to account for revenue arising from contracts with customers before revenue can be recognised as disclosed in Note 1(r). This accounting policy change does not result to changes in the amounts recognised and disclosed in the financial statements as the previous accounting treatment for deferred revenue component of multi-year license contracts and the new revenue standard is not materially different.

(b) AASB 9 – Financial Instruments

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, and impairment of financial assets. The adoption of AASB 9 Financial Instruments from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised for the loss allowance in the financial statements. The new accounting policies are set out in Note 1(h).

The Group was required to revise its impairment methodology under AASB 9 for trade receivables. The Group applied the simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables as the assets does not contain significant financing component. This resulted in the recognition of bad debts for trade receivables by $1,168,022 in the current period (Note 9).

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2019

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 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 16 - Leases	1 January 2019	30 June 2020

The Group's assessment of the impact of this new standard and interpretation is set out below:

(i) *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 $12,769,839, see Note 21. Of these commitments, approximately $35,000 relate to short-term leases and $4,400 to low value leases which will both be recognised on a straight-line basis as expense in profit or loss. Some of the commitments may be covered by the exception for short-term and low-value leases.

For the remaining lease commitments, the Group expects to recognise right-of-use assets of approximately $10.3M on 1 July 2019, lease liabilities of $10.6M (after adjustments for prepayments and accrued lease payments recognised as at 30 June 2019) and deferred tax assets of $90,000. Overall net assets will be approximately $210,000 lower, and net current assets will be $2.9M lower due to the presentation of a portion of the liability as a current liability.

The Group expects that net profit after tax will decrease by approximately $90,000 for FY2020 as a result of adopting the new rules. Adjusted EBITDA is expected to increase by approximately $3.8M, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

Operating cash flows will increase and financing cash flows decrease by approximately $3.5M as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

x. Parent entity financial information

The financial information for the parent entity, Nuix Pty Ltd, disclosed in Note 25 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2019

(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 (2018: 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.

y. 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 is 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 2019

(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 2019, the carrying amount of intangible assets was $167,566,178 (2018: $75,680,533). The 30 June 2019 carrying amount is inclusive of intangible assets aquired from FTI's Ringtail assets (Note 26) amounting to $65,340,596 broken down as follows:

	2018 $
Intellectual property	65,045,044
Goodwill	5,004,098
Brand	712,276
Less: Accumulated amortisation	(5,420,822)
	65,340,596

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2019

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

	2019			2018		
	USD	EURO	GBP	USD	EURO	GBP
Cash and cash equivalents	21,663,337	2,742,221	2,095,050	8,405,412	3,675,672	3,291,501
Trade receivables	18,863,642	3,456,957	5,150,855	18,206,379	2,308,150	2,194,531
Trade payables	3,294,431	224,980	741,500	2,073,460	34,970	496,810

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 $366,700/ ($366,700) for the fiscal year ended 30 June 2019 (2018: $348,642 / [$348,642])

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 2019, trade receivables of $4,444,617 (2018: $2,867,387) 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:

	2019 $	2018 $
1 – 3 months	2,960,025	2,103,303
4 – 6 months	222,702	521,004
Over 6 months	1,261,890	243,080
	4,444,617	2,867,387

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2019

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 $27,331,898 (2018: $26,998,317) 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 2019 Orders backlog was $21,110,232 (2018: $6,404,691).

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 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
At 30 June 2019				
Trade payables	5,519,328	-	-	5,519,328
Borrowings	-	-	25,681,820	25,681,820
	5,519,328	-	25,681,820	31,201,148

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 9 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2019

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.

4. PROFIT FOR THE YEAR

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

	2019 $	2018 $
Share based payments expense costs		
Employee option expense	149,818	1,167,751
Finance costs		
Interest expense	894,918	743,115
Other (gains) / losses – net		
Realised and unrealised foreign exchange (gain)	(1,023,487)	(407,340)
Expenses (included in General and administration)		
Bad Debt Expense	1,168,022	493,061
Rental expense on operating leases	3,614,465	2,820,209
Amortisation of intangible assets	17,140,718	8,743,596
Depreciation	1,537,693	2,221,279

5. SALES

	2019 $	2018 $
Software	141,160,898	112,750,593
Services	8,479,982	6,414,473
Hardware	480,018	953,570
	150,120,898	120,118,636

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2019

6. OTHER INCOME

	NOTES	2019 $	2018 $
Government grant income	(a)	890,285	761,125
Bank interest		69,750	2,024
		960,035	763,149

a. Government grants

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

7. INCOME TAX EXPENSE

(a) Income tax expense

	2019 $	2018 $
Current tax		
Current tax on profits for the year	10,396,013	2,523,030
Total current tax expense	10,396,013	2,523,030
Deferred income tax		
Increase in deferred tax assets	(1,491,661)	300,253
Increase in deferred tax liabilities	(2,298,443)	(151,781)
Total deferred tax expense	(3,790,104)	148,472
Income tax expense	6,605,909	2,671,502

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2019

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

	2019 $	2018 $
Profit before income tax expense	21,291,839	13,661,014
Tax at the Australian tax rate of 30% (2018: 30%)	6,387,552	4,098,304
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment	94,064	80,143
Share-based payments	38,392	350,325
Interest expense	65,254	184,264
Foreign exchange gains and loss	(237,816)	(476,485)
Difference in overseas tax rates	(828,098)	(1,167,477)
Research and development	1,284,863	(169,525)
Other	(198,302)	(228,047)
Income tax expense	6,605,909	2,671,502

Deferred tax balances

(i) Deferred tax assets

The balance comprises temporary differences attributable to:

	2019 $	2018 $
Employee benefits	386,937	309,854
Research and development	404,955	1,913,376
Others	(126,160)	(65,837)
Total deferred tax assets	665,732	2,157,393

(ii) Deferred tax liabilities

The balance comprises temporary differences attributable to:

	2019 $	2018 $
Intellectual property	28,197,664	22,640,833
Research and development	(20,649,819)	(16,740,530)
Employee benefits	(423,242)	(330,343)
Deferred revenue	(481,735)	(304,311)
Other	788,097	(133,127)
Total deferred tax liabilities	7,430,965	5,132,522

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2019

8. CASH AND CASH EQUIVALENTS

This account consists of cash in bank amounting to $27,331,898 (2018: $26,998,317). 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	2019 $	2018 $
Trade receivables		31,719,762	26,970,220
Provision for impairment of trade receivables	(a)	(456,202)	-
Unbilled revenue		13,636,883	7,281,643
Total trade and other receivables		44,900,443	34,251,863

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

AASB 9 introduced a new impairment model which is the new expected credit loss (ECL) model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment loss and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (eg trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12-month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

The Group applied the simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables as the assets does not contain significant financing component. A provision for impairment is recognised before the credit loss is incurred based on the relevant loss rates applied to outstanding balances of trade receivables. These amounts have been included in the general and administration expenses. The amount of the provision was $456,202 (2018: nil). The individually impaired receivables mainly relate to smaller clients who experienced financial distress. During 30 June 2019, $711,820 (2018: $564,704) 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:

	2019 $	2018 $
1 – 3 months	29,545,024	26,206,136
4 – 6 months	630,180	521,004
Over 6 months	1,544,558	243,080
	31,719,762	26,970,220

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2019

Movements in receivables provision:

	2019 $	2018 $
As at 1 July	-	71,643
Provision for impairment recognised	1,168,022	493,061
Receivables written off as uncollectable	(711,820)	(564,704)
As at 30 June	456,202	-

Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

a. 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).

b. 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

		2019 $	2018 $
Prepayments	(a)	9,064,528	1,583,882
Other receivables		251,852	185,227
Total other current assets		9,316,380	1,769,109

(a) FY2019 balance is inclusive of Ringtail data centre amounting to US$7,450,000.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2019

11. PROPERTY AND EQUIPMENT

	OFFICE & COMPUTER EQUIPMENT	FURNITURE & FIXTURE	LEASEHOLD IMPROVEMENT	TOTAL
At 1 July 2017				
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)
Net book amount	2,202,469	229,489	608,321	3,040,279
Year ended 30 June 2018				
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 – accumulated depreciation	(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 – accumulated depreciation	-	11,073	3,531	14,604
Depreciation	(1,626,990)	(130,423)	(463,866)	(2,221,279)
Closing net book amount	1,603,213	655,287	756,332	3,014,832
At 30 June 2018				
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
Year ended 30 June 2019				
Opening net book amount	1,603,213	655,287	756,332	3,014,832
Forex difference – cost	355,715	51,538	75,261	482,514
Forex difference – accumulated depreciation	(318,901)	(19,175)	(52,729)	(390,805)
Additions	373,437	9,976	518,410	1,551,525
Disposals	-	(2,579)	-	(2,579)
Depreciation	(1,123,730)	(205,905)	(208,059)	(1,537,694)
Closing net book amount	889,734	489,142	1,089,215	3,117,793
At 30 June 2019				
At cost	9,805,150	1,079,023	3,351,045	14,884,920
Accumulated depreciation	(8,915,416)	(589,881)	(2,261,830)	(11,767,127)
Net book amount	889,734	489,142	1,089,215	3,117,793

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2019

12. INTANGIBLE ASSETS

	GOODWILL	SOFTWARE	INTELLECTUAL PROPERTY	BRAND	TOTAL
At 30 June 2018					
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
Year ended 30 June 2019					
Opening net book amount	-	175,282	75,505,251	-	75,680,533
Forex difference – cost	-	61,008	2,880	-	63,888
Forex difference – accumulated amortisation & impairment	-	(59,248)	(113,511)	-	(172,759)
Additions	5,004,098	301,067	103,117,793	712,276	109,135,233
Amortisation	-	(251,160)	(16,889,559)	-	(17,140,718)
Closing net book amount	5,004,098	226,949	161,622,855	712,276	167,566,178
At 30 June 2019					
At cost	5,004,098	2,110,703	198,758,058	712,276	206,585,135
Accumulated amortisation & impairment	-	(1,883,754)	(37,135,203)	-	(39,018,957)
Net book amount	5,004,098	226,949	161,622,855	712,276	167,566,178

Impairment test for Goodwill and Brand (intangible assets with indefinite useful life)

The Group acquired Goodwill as part of the acquisition of Ringtail in September 2018 (see Note 26). The Group tests whether goodwill has suffered any impairment this fiscal year ended June 30, 2019. The recoverable amount of the CGU was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budget approved by management and extrapolated using the estimated growth rates stated below covering a five-year period. These growth rates are a combination of historical data and forecast of the CGU.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2019

Assumptions used in determining the value in use:

Assumption	Approach used in determining values
Revenue growth rate	Average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development.
Operating expenditures rate **EBITDA margin** **Net profit before tax** **Depreciation and amortisation**	Average percentage based on sales over the five-year forecast period; based on past performance and management's expectation of market development.
Income tax expense	Historical average effective income tax rate
Working capital	Average historical rates based on revenue and operating expenses
Capital expenditures	Expected cash costs in the CGU. This is based on the historical experience of management, and the planned refurbishment expenditure. No incremental revenue or cost savings are assumed in the value-in-use model as a result of this expenditure.

13. TRADE AND OTHER PAYABLES

	2019 $	2018 $
Sundry payables and accrued expenses	5,858,936	5,060,809
Trade payables	5,519,328	3,800,099
Payroll tax and other statutory liabilities	3,261,031	10,782,074
Total trade and other payables	14,639,295	19,642,982

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.

	2019 $	2018 $
Reseach and development	5,839,186	5,722,660
Annual license and maintenance	997,220	191,009
Maintenance	4,676,114	3,302,383
Professional service	460,849	419,205
Total deferred revenue	11,973,369	9,635,257

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2019

15. PROVISIONS

	2019 $	2018 $
Current		
Annual leave	3,093,508	2,476,241
Long service leave	167,604	140,263
	3,261,112	2,616,504
Non-current		
Long service leave	241,525	230,255
Make good obligation	301,866	296,259
	543,391	526,514

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	2019 $	2018 $
Non-current			
Bank Loans	(a)	25,681,820	20,000,000

(a) Secured liabilities

Nuix Pty Ltd utilised the cash facility of $25,681,820 out of $30,000,000 ($20M AUD and $7.5M USD). The financing is provided by Commonwealth Bank of Australia (CBA) 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 2019 was $4,000,000 USD (2018: $5,000,000 AUD).

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2019

17. ISSUED CAPITAL

	NOTE	2019 $	2018 $
265,400,633 (2018: 217,390,649) fully paid ordinary shares	(a)	104,227,205	17,809,218

The issued shares do not carry a par value.

	NUMBER #	ISSUE PRICE* $	AMOUNT $
Movements in issued capital			
Balance as at 1 July 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
Shares issued during 2019	48,009,984	1.80	86,417,987
Balance as at 30 June 2019	265,400,633		104,227,205

*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 2019

b. Movement in reserves

	2019 $	2018 $
Share option reserve		
As at 1 July	4,687,530	3,511,320
Share based payment costs	149,818	1,176,210
As at 30 June	4,837,348	4,687,530
Option buy-back reserve		
As at 1 July	(6,176,255)	-
Buy-back of options	-	(6,176,255)
As at 30 June	(6,176,255)	(6,176,255)
Foreign currency translation reserve		
As at 1 July	2,187,902	1,811,947
Foreign currency translation reserve	1,776,047	375,955
As at 30 June	3,963,949	2,187,902
Total Reserves	2,625,042	699,177

c. Retained earnings

	2019 $	2018 $
Retained earnings	66,864,790	55,875,278
Net profit for the year	14,685,930	10,989,512
Total retained earnings	81,550,720	66,864,790

19. DIVIDENDS

During the year the Directors did not declare an interim dividend (2018: Nil) and have not recommended a final dividend be paid after 30 June 2019 (2018: Nil). Franking credits arising from the payment of income tax, by the parent entity, Nuix Pty Ltd, during the years ended 30 June 2019 and 30 June 2018 are represented below.

Franking credits **Parent Entity**

Franking Credits Attributable To Parent Entity	2019 $	2018 $
Franking credits available for subsequent financial years based on a tax rate of 30% (2018: 30%)	668,772	668,772

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2019

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 (2018: Nil), and,
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date (2018: 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:

	2019 $	2018 $
Nuix North America Inc.	228,584	245,032
Nuix Technology UK Ltd	87,363	-
Nuix Philippines Regional Operating Headquarters	8,846	3,790
Nuix Ireland Ltd	-	10,684
	324,793	259,506

20. AUDITORS' REMUNERATION

	2019 $	2018 $
PricewaterhouseCoopers Australia		
Audit and other assurance	279,800	225,000
Other assurance	405,200	27,000
Total for audit and other assurance	685,000	252,000
Taxation services	14,000	14,000
Total for taxation services	14,000	14,000
Total for PricewaterhouseCoopers Australia	699,000	266,000

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. 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2019

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

	2019 $	2018 $
Within one year	3,697,060	2,689,960
Later than one year but not later than five years	5,624,911	5,929,130
Later than five years	3,447,868	3,826,660
Minimum lease payments	12,769,839	12,445,750

22. RELATED PARTY DISCLOSURES

a. Parent entity

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

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
		2019	2018	2019	2018	
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

c. Transactions with other related parties

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2019

d. Loans to / from related parties

	2019 $	2018 $
Loan (from) / to Nuix Ireland Ltd to Nuix UK*		
Balance at 1 July	(1,060,061)	91,668
Payments received	(2,458,958)	(1,194,437)
Interest charged	22,646	42,708
Balance as 30 June	(3,496,373)	(1,060,061)
Loan to Nuix Ireland Ltd to Nuix USA**		
Balance at 1 July	3,828,155	14,518,389
Loans advanced	341,092	-
Payments received	-	(11,041,276)
Interest charged	94,733	351,042
Balance as 30 June	4,263,980	3,828,155
Loan to Nuix USA to Nuix USG**		
Balance at 1 July	1,881,927	1,375,892
Loans advanced	2,136,311	417,937
Interest charged	-	88,098
Balance as 30 June	73,004	1,881,927
Loan to / (from) Nuix Regional Operating Headquarters to Parent		
Balance at 1 July	(75,203)	(102,981)
Loans advanced	367,008	14,178
Interest charged	18,573	13,600
Balance as 30 June	310,378	(75,203)
Loan to / (from) Parent to Nuix USA**		
Balance at 1 July	7,125,410	(12,440,596)
Loans advanced	12,527,654	19,784,307
Interest charged	144,477	(218,301)
Balance as 30 June	5,546,721	7,125,410

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2019

d. Loans to / from related parties (continued)

	2019 $	2018 $
Loan from Parent to Nuix Ireland Ltd		
Balance at 1 July	(893,454)	(13,709,030)
Loans advanced	-	12,546,897
Payments received	(4,319,458)	
Interest charged	90,718	268,679
Balance as 30 June	(5,122,194)	(893,454)
Loan (from) / to Nuix Singapore to Parent		
Balance at 1 July	144,404	237,191
Loans advanced	(234,236)	(82,354)
Interest charged	8,116	10,433
Balance as 30 June	(81,716)	144,404
Loan from Parent to Nuix UK*		
Balance at 1 July	-	-
Loans advanced	2,144,557	-
Interest charged	3,761	-
Balance as 30 June	2,148,318	-

*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.

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2019

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:

	2019		2018	
Average Exercise Price Per Number of Share Options	$	#	$	#
As at 1 July	0.81	42,597,100	0.72	52,591,250
Granted during the year	2.40	20,936,900	2.30	1,530,000
Exercised during the year	-	-	0.12	(3,959,150)
Sold	-	-	-	-
Forfeited during the year	1.46	(4,007,450)	0.80	(7,565,000)
As at 30 June	1.33	59,526,550	0.81	42,597,100
Vested and exercisable at 30 June	0.01	15,368,900	0.01	15,368,900

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2019

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

Grant Date	Last Exercise Date	Weighted Average Exercise Price	Share Options (Post Split) 30 June 2019	Share Options (Post Split) 30 June 2018
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	1,854,000	1,935,850
FYE 2011	LE & <MAR17	$0.10	1,259,450	1,709,700
FYE 2012	LE & <MAR18	$0.31	1,238,450	1,372,800
FYE 2013	30-MAR-17	$0.61	1,337,500	1,677,500
FYE 2014	LE	$0.86	3,173,750	3,682,500
FYE 2015	CT	$1.42	7,210,000	7,867,500
FYE 2016	CT	$1.77	1,926,250	2,623,750
FYE 2017	CT	$2.02	5,345,000	5,625,000
FYE 2018	CT	$2.27	1,344,650	1,102,500
FYE 2019		$2.40	19,837,500	-
Total		$1.33	59,526,550	42,597,100
Weighted average remaining contractual life of options outstanding at end of period				2.0 years

LE - Liquidity Event CT – Corporate Transaction

b. Fair value of Options granted

The assessed fair value at grant date of Options granted during the year ended 30 June 2019 was $1.80 per Option (2018 – $2.0 - $2.40). 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 2019 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: $2.40 (2018 – $2.00 - $2.40)
- 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 (2018 – same conditions as 2018)
- share price fair value: $1.80 (2018 – $2.40)
- expected price volatility of the company's shares: 19.55% (2018 – 19.45%)

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2019

- expected dividend yield: 0% (2018 – 0%)
- risk-free interest rate: 1.65% (2018 – 2.70%)

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:

	2019 $	2018 $
Equity Compensation Cost	149,818	1,167,751

24. CASH FLOW INFORMATION

	2019 $	2018 $
Reconciliation of Cash Flow from Operating Activities with Profit for the Year		
Profit for the year (before income tax)	21,291,839	13,661,014
Non-cash flows in profit:		
Depreciation	1,537,693	2,221,279
Amortisation of intangible assets	17,140,718	8,743,596
Receivables write-off	707,550	493,061
Share based payment expense	149,818	1,167,751
Net exchange rate differences	(119,399)	525,059
Fixed assets write-off	2,579	4,746
Changes in Assets and liabilities:		
Increase in trade and other receivables	(11,342,548)	(5,034,505)
(Increase) / Decrease in other current assets	(7,547,271)	96,460
Increase in trade and other payables	2,925,926	2,288,961
Increase / (Decrease) in deferred revenue	1,321,991	(5,247,654)
(Decrease) / Increase in employee benefits	(8,334,317)	2,642,720
Decrease in current tax liabilities	(212,394)	(234,297)
Decrease in deferred tax liabilities	1,453,962	-
(Decrease) / Increase in other liability	(507,463)	230,433
Increase in provision for make good	5,606	3,304
Balance as 30 June	**18,474,290**	**21,561,928**

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2019

25. PARENT ENTITY FINANCIAL INFORMATION

	2019 $	2018 $
Current assets	36,495,445	33,213,562
Non-current assets	180,325,425	76,212,480
Total assets	216,820,870	109,426,042
Current liabilities	23,565,688	19,947,433
Non-current liabilities	33,602,237	25,611,401
Total liabilities	57,167,925	45,558,834
Net assets	**159,652,945**	**63,867,208**
Equity		
Issued capital	104,227,205	17,809,218
Retained earnings	56,755,840	47,537,908
Reserves	(1,330,100)	(1,479,918)
Total equity	**159,652,945**	**63,867,208**
Profit for the year	**9,217,931**	**30,415,018**

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.

(ii) 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2019

26. BUSINESS COMBINATION

(a) Acquisition of Ringtail

On 9th 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.

(i) Purchase consideration

Details of the consideration transferred are:

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

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

	FAIR VALUE (USD)
Brand	500,000
Software	45,660,000
Prepayment	5,199,890
Deferred Tax Asset	127,358
Accounts Receivables	1,323,527
Unbilled Revenue	601,065
Prepaid Expense	259,015
Bonus Accruals	(606,468)
Unearned Revenue	(2,633,237)
Net Identifiable assets acquired	**50,431,150**
Goodwill	3,512,751
Net Assets acquired	**53,943,901**

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2019

(b) Contingent consideration

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

(c) Acquisition – related costs

Acquisition related costs of AUD $1,207,071 is included in General and Administrative Expenses in Profit or Loss in the reporting period ending 30 June 2019.

The Group has adopted a provisional accounting approach as permitted by AASB3 Business Combinations. Any true ups required to the fair value of assets and liabilities taken on will be reflected at 30 June 2020.

27. EVENTS AFTER THE REPORTING DATE

On September 13, 2019, CBA has approved the increase of loan facility of the Group by an additional $20,000,000. The loan term was also extended for another 3 years ending 2020, 2021 and 2022. The total loan facility now available is $50,000,000.

The COVID-19 coronavirus outbreak was declared a pandemic by the World Health Organisation on 11 March 2020. The outbreak and the response of governments in dealing with the pandemic is interfering with general activity levels within the community and the economy. The scale and duration of these developments continue to remain uncertain as at the date of this report. The Group does not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of the outbreak on the Group at this time however does not believe it would be material or adverse.

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 17 to 59 are in accordance with the Corporations Act 2001, including:

   (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

   (ii) giving a true and fair view of the Company's financial position as at 30 June 2019 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

22 June 2020

Independent auditor's report

To the members of Nuix Pty Ltd

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 2019 and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards to the extent described in Note 1 of the financial report.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2019
- 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.

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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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 and its members. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for Nuix Pty Ltd and its members and should not be distributed to or used by parties other than Nuix Pty Ltd and its members. Our opinion is not modified in respect of this matter.

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 2019, 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 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 that we 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.

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 to the extent described in Note 1 of the financial report, 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. The directors have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the needs of the members.

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 has no realistic alternative but to do so.

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

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. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

Adam Thompson
Partner

Sydney
22 June 2020

Shareholder Information

The shareholder information set out below was applicable as at 30 June 2019.

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

	Number of holders of ordinary shares
1 to 1,000	-
1,001 to 5,000	-
5,001 to 10,000	-
10,001 to 100,000	-
100,001 and over	29
	29
Holding less than a marketable parcel	**-**

Unquoted equity securities

	Number on issue	Number of holders
Ordinary shares	265,400,633	30

Subtantial holders
Subtantial 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	58.20%
Macquarie Corporate Holdings Pty Ltd	47,733,822	17.99%
Cavill Armitage Services Pty Ltd	17,939,783	6.76%
Blackall Limited	13,345,750	5.03%

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.

CUSTOMERS
FOCUS, DELIVER, DELIGHT

TEAMWORK
STRONGER TOGETHER

INNOVATION
UNLEASH COLLECTIVE GENIUS

PASSION
FCOMMITTED TO THE PASSION

INTEGRITY
AUTHENTIC AND ACCOUNTABLE

PEOPLE
RESPECT, ENCOURAGE, REWARD

nuix

Nuix (www.nuix.com) creates innovative software that empowers organizations to simply and quickly find the truth from any data in a digital world. We are a passionate and talented team, delighting our customers with software that transforms data into actionable intelligence and helps them overcome the challenges of litigation, investigation, governance, risk, and compliance.

APAC
Australia: +61 2 8320 9444

EMEA
UK: +44 203 934 1600

NORTH AMERICA
USA: +1 877 470 6849