

MARKET RELEASE

29 October 2021

Annual Report

Sydney, Australia – Nuix Limited attaches the 2021 Annual Report.

This document has been authorised for release by the Board of Directors.

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About Nuix

Nuix Limited is a leading provider of investigative analytics and intelligence software, with the vision of “finding truth in a digital world”. Nuix helps customers to process, normalise, index, enrich and analyse data from a multitude of different sources, solving many of their complex data challenges. The Nuix platform supports a range of use cases, including criminal investigations, financial crime, litigation support, employee and insider investigations, legal eDiscovery, data protection and privacy, and data governance and regulatory compliance. Headquartered in Sydney, Australia, Nuix licenses its software to more than 1,000 customers across 79 countries in North America, Asia Pacific and EMEA.

For further information, please visit investors.nuix.com



ANNUAL REPORT 2021

**BECAUSE TRUTH
IN DATA MATTERS**



FINDING TRUTH IN A DIGITAL WORLD

Nuix at a glance

Nuix is a leading provider of investigative analytics and intelligence software.

1,000+

customers across 79 countries

439

staff worldwide

ASX: NXL

Listed on the ASX on 4 Dec, 2020

Australia

Headquartered in Sydney, Australia

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FY21 Key Financial Metrics

Statutory Revenue

\$176.1m

▲ Up 0.1% on FY20

Up 7.4% on constant currency basis

Annualised Contract Value (ACV)

\$165.6m

▼ Down 1.7% on FY20

Up 4.1% on constant currency basis

Pro forma EBITDA

\$67.0m

▲ Up 20.9% on FY20

Up 31.9% on constant currency basis

Gross Margin

89.3%

▲ Up from 88.2% in FY20

89.3% in constant currency

Customer Churn

3.7%

▼ Down from 4.7% in FY20

3.7% in constant currency

Net Dollar Retention (NDR)

95.5%

▼ Down from 107% in FY20

100.8% in constant currency

Subscription ACV

89%

▲ Up from 84% in FY20

88% in constant currency

Consumption ACV

\$20.2m

▲ Up 12.1% in FY20

Up 22.4% in constant currency

Net Cash

\$70.9m

▲ Up from \$38.5m in FY20

FINDING TRUTH IN A DIGITAL WORLD

Nuix is a global software technology company that helps customers transform massive amounts of messy data into actionable intelligence at scale and speed with forensic accuracy.

Nuix is a leader in eDiscover and digital forensic software, and an emerging player in the governance, risk and compliance (GRC) market.

With customers in 79 countries, Nuix has been developing its software for over 15 years.

A key strength lies in Nuix's data processing capability delivered by the Nuix engine. The engine is the core of the platform and enables revenue generation across multiple customer segments, use cases and geographies.



THE PATENTED NUIX ENGINE

A supercharged data processing, search and intelligence platform



AN END-TO-END SOLUTION

Products that solve real-world problems, from the endpoint to the courtroom



INVESTIGATIVE ANALYTICS

Identify intelligence, patterns, and correlations that no human could otherwise find



A FULLY INTEGRATED PLATFORM

Open, extensible and intuitive for users



OUR PEOPLE

We hire the best and build their expertise into our software

CLARITY FROM COMPLEXITY

Nuix makes data searchable, particularly unstructured data, including emails, text messages, images, videos, voice messages and social media data. Files can be searched, sorted and digitally linked back to the source, providing forensic accuracy that can be used as evidence in courtrooms.

Nuix software is used by many of the world's leading organisations in some of their most critical work such as digital forensic investigation, financial crime, litigation support, employee and insider investigations, data protection and privacy, data governance, and eDiscovery and regulatory compliance.

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2 4 5 9 8 8 7
6 5 7 8 4 6 2 8 1

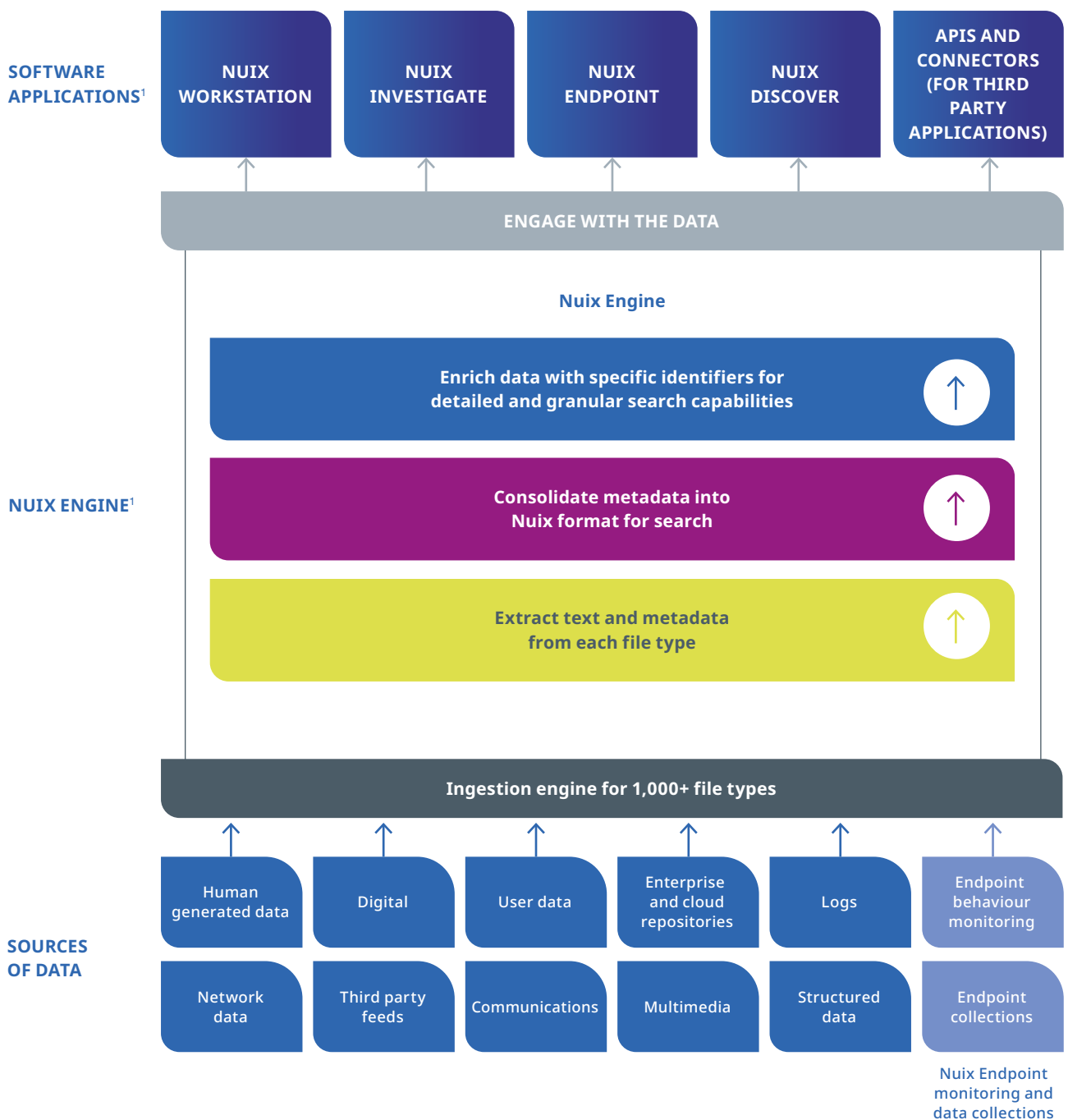
AT THE HEART OF DATA ECOSYSTEMS

The Nuix platform comprises a powerful, proprietary, data processing engine called the Nuix Engine and software applications – Nuix Engine, Nuix Discover, Nuix Investigate, Nuix Enterprise Collection Center, Nuix Adaptive Security, and APIs and connectors for third party applications.

The applications have been developed in-house and shaped by feedback from long-standing government and private sector customers over the past 15 years. Not only does the Nuix Engine search for data at speed and scale, but it also identifies intelligence, patterns, and correlations that no human could find and can process over 1,000 different file types.



YOU'LL FIND OUR PLATFORM



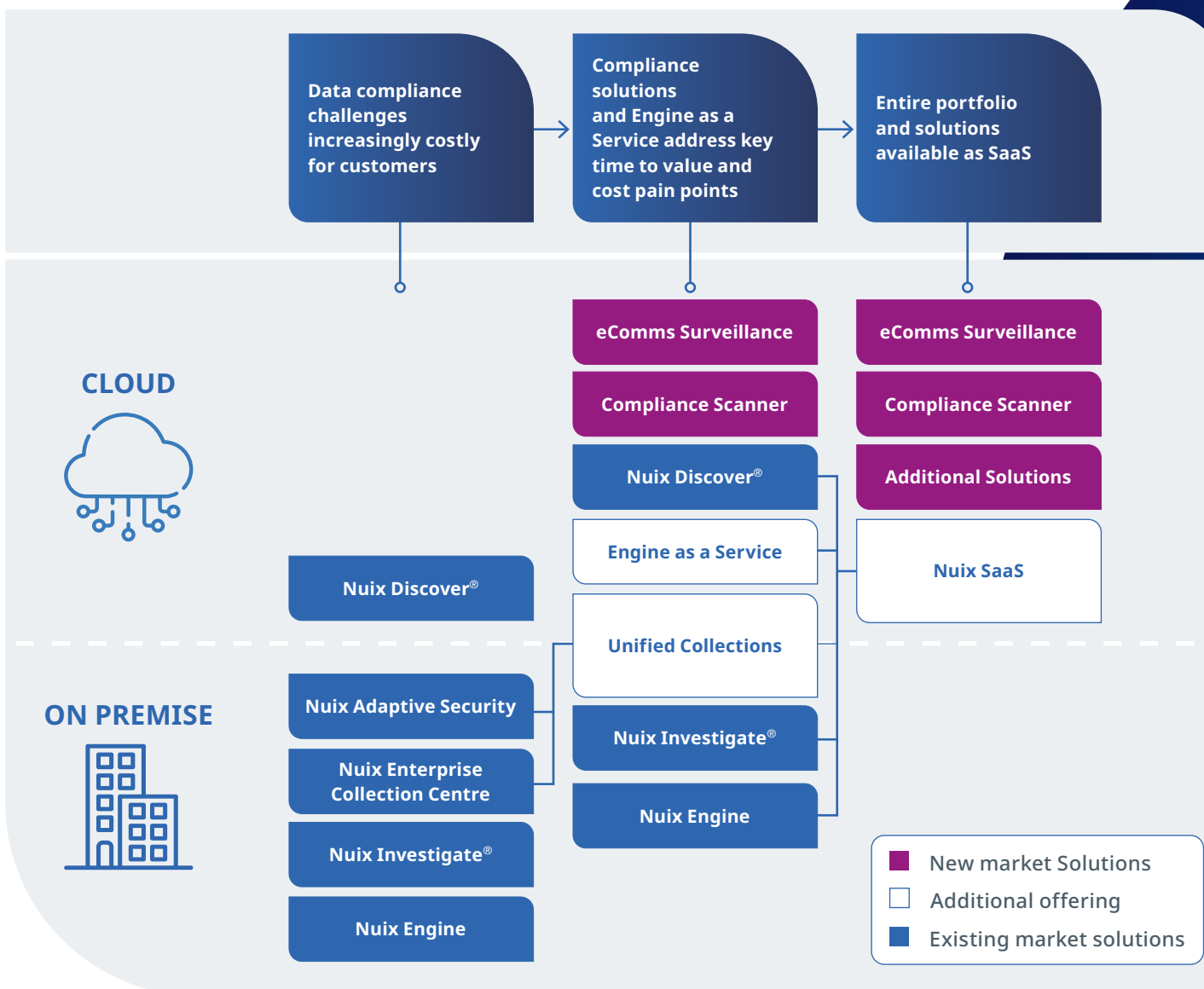
1. Components of the Nux platform are represented by the software applications boxes and the Nux Engine boxes.

OUR PLATFORM IS EVOLVING

Nuix's Software as a Service (SaaS) journey continues, capitalising on the rapid and massive shift of data to the cloud. The Discover product is already offered on a SaaS basis, with strong customer endorsement.

A key development goal for the near term is Engine as a Service: horizontally scalable processing in the cloud.

Nuix continues to build on its already strong product portfolio, with investment towards a Unified Collections platform, as well as delivering further value-add solutions, such as those associated with Governance, Risk and Compliance (GRC), Compliance Scanner and eComms Surveillance.



AND MOVING TO THE CLOUD

Governance, Risk and Compliance is a key focus area for Nuix customers, and a strong growth opportunity. Data proliferation to the cloud complicates GRC mandates. Cost benefits, time to value and speed of resolution are critical to customers' immediate requirements.

Currently, the Nuix Discover product is available on a SaaS basis. The next stage of Nuix's cloud evolution involves not only introducing new products to the cloud, but also making some existing products available on a SaaS basis. Important work is currently underway on these initiatives, including Engine as a Service.

Ultimately, Nuix will be able to offer entire portfolio solutions to customers on a SaaS basis, as well as having on-premises capability for those customers that need or want it.



OUR OPPORTUNITY IS LARGE

MULTIPLE GROWTH LEVERS

Future growth depends on expanding into new markets and gaining market share by developing applications around the powerful Nuix Engine.

1

WIN NEW CUSTOMERS

Expand across geographies and in targeted industries by winning new customers and gaining market share in \$27bn¹ total addressable market (TAM).

2

'LAND AND EXPAND' STRATEGY

Expand across key industry verticals. This involves driving new customer acquisition and upsell and renewal of existing customers.

3

INVESTMENT TO EXTEND THE NUIX PLATFORM

Extend the functionality of the Nuix software platform by creating products which attract new customers, drive upsell or create renewal activity.

4

OPERATING EFFICIENCY

Extract benefits of scale as the business grows; continue to drive improvements in operating margin.

5

PARTNER CONSIDERATIONS

Build a network of strategic partners who can provide complimentary delivery and market expansion capabilities to drive future revenue sources.

6

VALUE-ACCRETIVE M&A

Assess opportunities based on strategic fit, relevance and synergies and target the acquisition of capabilities rather than revenue alone.

1. Refer FY21 Results Presentation for further information on TAM.

CUSTOMER STORY:

Squire Patton Boggs

Conducting two large disputes with 14 million documents between them, law firm Squire Patton Boggs knew it would need all the technological help it could get to meet dispute deadlines.

The firm's litigation teams used Nuix Discover Software as a Service, hosted in Australian datacentres, to process approximately 10 terabytes of data. Nuix's suite of analytics tools – including search terms, visualisations, customisable views and machine learning – was used to reduce the volume of data to a manageable number of documents for review.

Results

- Managed costs and quality by processing and reviewing all data in-house, while retaining flexibility.
- Achieved review and production quantities that would not have been possible with manual or outsourced processes.
- Maintained the confidentiality of sensitive client data thanks to Nuix's robust cloud security measures.

Squire Patton Boggs

Squire Patton Boggs is an international law firm with 45 offices in 20 countries. Its client base spans a diverse mix of business, both private and public, worldwide, from Fortune 100 and FTSE 100 corporations to emerging companies, and from individuals to local and national governments.



Hon. Jeffrey Bleich
Chair

Like many people, I was first drawn to Nuix by the calibre of Nuix's technology, people and customers – and their potential to do something important; to bring order to a chaotic digital world. This mission, and the Nuix solutions, teams, and customers behind it, are the source of Nuix's strength. Now, after nearly a year as Chair, my faith in that mission, and my belief in Nuix's potential has never been greater. Nuix's three pillars – extraordinary technology, innovative people, and inspiring customers – have stayed resilient and undiminished throughout a turbulent year. Nuix has grown stronger and wiser from each challenge, and it is poised to achieve its full potential.

In the two decades since Nuix's founding, Nuix has demonstrated a rare ability to evolve and adapt to a rapidly changing environment. It has continually anticipated and adapted to the challenges of finding patterns and meaning in structured, semi-structured and unstructured data. Its purpose has been its one constant – finding truth in a digital world. Our core technology built around the Nuix Engine accomplishes this in a unique, world-leading way. It has earned the commitment of some of the most respected customers in the world and propelled a once-small company in Sydney to a global leader.

As a result, despite unexpected challenges and impacts this past year, we continued to grow our customer base, attract exceptional new talent, accelerate our movement of the Nuix Engine

CHAIRMAN'S LETTER

On behalf of your Directors, I am grateful to present the 2021 Annual Report for Nuix Limited, our first since listing on the Australian Securities Exchange in December 2020.

into the cloud and re-engineer our offerings to deliver them to our customers through a Software-as-a-Service (SaaS) model.

DEMONSTRATING RESILIENCE AND ADAPTABILITY

Our FY21 performance reflects these qualities of resilience and adaptation. While our FY21 revenue results did not meet our initial expectations, we delivered a solid financial performance across revenue, Annualised Contract Value (ACV) and earnings before interest, depreciation and amortisation (EBITDA). This was on the back of low churn, a strong increase in multi-year deals and a rise in consumption (including SaaS) licences. Among the many tests faced in the early part of its life as an ASX-listed company, Nuix encountered unexpected effects from Covid-19-related events, an extended transition of government administration in the United States following the November 2020 election, and unusual levels of critical attention.

Nuix demonstrated resilience through the volatile pandemic conditions across all of our international markets. Our people worked tirelessly to ensure continuity of our client services and this passionate commitment and energy was expressed across the entire organisation.

A strong endorsement of the strength and uniqueness of our technology is that our customers

have overwhelmingly stuck with us because of the tremendous value our solutions bring to their operations. We are grateful to them and committed to continuing to deliver the highest standard of technical excellence and support to help them achieve their ambitions.

We recognise that our people are our most important asset and as an organisation we have concentrated on our valued team members around the globe, ensuring they have the necessary support and incentives to deliver future success for our business. Nuix continues to attract great talent, welcoming 119 new people this year, a new world-class Chief Financial Officer in Chad Barton, two coveted Solutions leads in Abdes Afran and Oliver Harvey, and other deeply talented leaders. As we look forward to FY22, we will continue to work to attract the very best people and keep investing for growth, particularly in sales and engineering roles.

STRENGTHENING OUR GOVERNANCE

The transition from private to public ownership had disappointments, and we recognize the toll this took on those who had higher hopes for the year. But the measure of a company's governance is not whether it has ever disappointed, but whether it acknowledges shortcomings and improves. Already, we have drawn lessons, and taken actions over these past

months to emerge stronger and unlock the tremendous potential of this business.

The Board and senior management are committed to strengthening our governance and we have listened carefully to the wisdom of our stakeholders and are taking necessary measures to achieve their aspirations for us. In doing so, we expect gradually but fully to restore the trust and confidence of the market, including all of our valued shareholders. Hiring our new, highly accomplished Head of Investor Relations, Brett Dimon, reflects this commitment to enhancing our engagement with the market and to meeting your expectations of world-class governance.

After establishing an Independent Board Sub-Committee to examine and address concerns in May 2021, and enhancing our internal risk management capabilities, we have seen our progress generating momentum. The effort to expand our Board drew an exceptional field of candidates, leading to the additions of skilful and experienced Non-Executive Directors Jackie Korhonen and Rob Mactier, in October 2021.

The effort to expand our Board drew an exceptional field of candidates, leading to the additions of skilful and experienced Non-Executive Directors Jackie Korhonen and Rob Mactier, in October 2021. And with our CEO succession now underway, we are encouraged by the response from a remarkably talented field of candidates with ambitions to serve as Nuix's next CEO.

We will continue to engage transparently and in good faith with our key stakeholders, including our regulators, and we remain confident in our financial accounting and in the processes that underpinned the development of our Prospectus.

CARING FOR OUR PEOPLE AND COMMUNITIES

Our commitment to finding truth and order in the digital world extends to the physical world as well. And this begins with us. Nuix is committed to promoting the wellbeing of our team members and contributing to the communities wherever we operate.

This past year, we implemented a global wellbeing program enabling our team members to focus on their health and wellness by accessing resources and activities, fitness initiatives and a range of other programs. The best employees stay sharp, and that requires healthy habits. Our employee social groups have also driven their own initiatives in each region. Over one-third of our global workforce participated in a six-week team fitness challenge this year, and our teams developed other means to increase connectedness through social interactions, and a devotion to public causes.

In 2020 we formalised The Nuix Foundation to protect and defend vulnerable groups by donating software and services to agencies and not-for-profit organisations. During FY21, the Foundation supported Freeland and TRAFFIC, enabling these organisations to combat the horror of illegal human trafficking and the exploitation of wildlife trafficking.

The Foundation has supported a range of projects to deliver positive learning outcomes at all levels in digital discovery and forensics, as well as building schools, providing literacy materials and sponsoring higher education paths. The Foundation builds on Nuix's longstanding relationship with Room to Read, a not-for-profit organisation for

improving literacy and gender equality in developing countries.

We are proud of our spirit of sacrifice and service to others. Nuix matches donations made by our staff to various causes and during the year those donations supported communities devastated by the floods in the Philippines, the explosion in Beirut and the COVID crisis in India. We also participate broadly in global health causes such as Movember. We introduced one day of volunteer leave for all staff globally this year, enabling all staff to dedicate time to causes that are important to them.

LOOKING FORWARD TO THE FUTURE

We are already hard at work writing the next chapter of the Nuix story. Having seen how the most vital parts of Nuix have responded to this first year, and stepped up to any challenge, Nuix is better-positioned than ever to succeed over the long-term. Our technology remains best-in-class, our customers have shown that they understand the unique value we are able to provide, and we have strengthened our team and matured our structure to capture the significant market opportunity ahead of us.

I would like to thank all Nuix team members for their commitment and resilience this year. And I am grateful to our shareholders for your ongoing confidence and support.

Yours sincerely,



Hon. Jeffrey Bleich
Chair

CEO'S REVIEW



Rod Vawdrey
Group Chief Executive Officer

To speak to the strength of the Nuix offering is really to speak to three different components: our technology, our customer base and our people, in conjunction with our broader stakeholder groups.

Nuix is a global business, with more than 1,000 customers across the globe, generating nearly 90% of revenue outside Australia. Our customer base is long-term and sticky, as well as being well diversified. Our technology is best in class, supported by an exceptional pool of people advancing the Nuix story with a shared vision. The power of the Nuix Engine as a platform for new use cases, together with our strength in eDiscovery, Forensics and Government, Risk and Compliance continues to be our competitive advantage and the focus of our land and expand strategy.

WORKING THROUGH THE PANDEMIC

Working through the pandemic has been challenging for everyone. For Nuix, this has meant most of our staff worked from home from March 2020.

Our people and our technology are our greatest assets. Over the last year, our people pivoted to delivering virtual marketing events and engagement with customers, providing virtual setup, support and training, with an increase in the number of customers achieving various

accreditations. We continue to engage with our employees not only on their wellbeing, but also the work environment that they need to meet the way that they work, while continuing to deliver for our customers.

I'd like to take this opportunity to sincerely thank the team for the way they've responded to these challenges over the last 12 months and for the way our customers have acknowledged and rewarded us with an even stronger commitment to our software.

“THE OPPORTUNITY FOR NUIX TO CONTINUE TO CONTRIBUTE TO OUR CUSTOMERS’ TECHNOLOGY NEEDS AND PARTICIPATE IN BROADER SOCIAL GOOD IS SIGNIFICANT.”

BUSINESS PERFORMANCE

Our financial results for FY21 highlighted the recurring nature of our revenue and sticky customer base. Statutory revenue came in at \$176.1 million, up 0.1% on the previous year and up 7.4% on a constant currency basis. Annualised contract value (ACV) at 30 June 2021 was \$165.6 million, down 1.7% on the same time last year and up 4.1% on a constant currency basis. Pro forma EBITDA for the full year was \$67.0 million, up 20.9% on FY20 and 31.9% on a constant currency basis, driven by continued cost savings.

At the statutory revenue and ACV levels we did not meet our prospectus forecasts. The primary reasons for the miss were foreign exchange impacts, a weaker than expected result from our US Government business and the short-term impacts of customer transitions to consumption licences. EBITDA exceeded prospectus forecasts.

Nuix’s customer base remains strong, highlighted by a very low churn figure of 3.7%, endorsing the competitive advantage of our technology.

Subscription ACV, which is an important indicator of recurring revenue for the Group rose to 89% from 84% a year ago.

The shift to consumption licences is an important trend affecting our market. Consumption ACV grew to \$20.2 million over the course of the year, up 12%, and up 22% in constant currency. Consumption licences include SaaS licences as a sub-component. The growth in consumption licences is customer led and we continue to respond to this market demand. The shift in customers from module-based licences to consumption-based licences is a key reason our overall upsell figures were muted over the course of the year. As customers transition to consumption-based licences we typically see an initial downsell to the minimum contracted amount, with data volumes increasing over time. From Nuix’s perspective, there are important benefits in linking our revenue more closely to increasing data growth in the market over the medium to long-term.

Nuix finished the year in a strong financial position, with almost \$71 million in net cash, giving the organisation flexibility to pursue growth opportunities.

PROGRESS ON KEY INITIATIVES

Nuix made important progress during the year on a number of key initiatives. In the US, corporate and law firms were particular areas of growth. Customer confidence in these areas was strong, with two large Discover SaaS deals won from tier-1 global law firms. Many customers committed to multi-year deals at higher than anticipated levels, demonstrating the importance of continuity with Nuix as their business expands.

It was a challenging year for our US Government business, given the election and the pandemic. Pleasingly, we saw some significant contract wins come through late in the financial year, building momentum into FY22, as we’ve seen departments restarting projects.

In EMEA, multi-year contracts were re-signed with two major advisory firms and we had important wins with significant European corporates. In Germany, we welcomed 27 new SaaS customers and new employees were onboarded for our expansion into Southern Europe.

CEO'S REVIEW (CONTINUED)

In Australia, we had several important wins with government agencies and law firms. A big four bank is using Nuix to identify Personally Identifiable Information (PII) data across the enterprise using Compliance Scanner, our first out GRC use case. In fact, in all regions, we're seeing solid customer interest around our emerging GRC applications, eComms surveillance and Compliance Scanner, with several early adopters.

INVESTING IN RESEARCH AND DEVELOPMENT

Our Research and Development program continues at pace. During FY21 we made solid progress towards FedRAMP accreditation, which will open up new opportunities for our US Government business in FY22 and beyond. This accreditation is part of a broader investment in SaaS capability. During the year, our team developed important connectors into market leading business and productivity applications, as well as the ability to quickly review chat messages in Discover and Investigate. We were able to open up new markets with localised versions of Discover (French) and Investigate (Japanese and German) as well as developing support for additional mobile forensics platforms.

Our investment into Research and Development will continue into the near future with current work seeing us expand our offering beyond AWS and Azure in the near term based on customer requirements. We will continue the Nuix SaaS journey, capitalising on the rapid and massive shift to the cloud. Our Discovery product is already offered on a SaaS basis with strong customer endorsement. A key development goal for the near term is Engine-as-a-Service, horizontally scalable processing in the cloud.



Other important elements of our investment include building on our already strong product portfolio, with a unified collections platform, as well as delivering further value-added solutions such as Compliance Scanner and eComms Surveillance.

THE NUIX TEAM

Our people remain at the heart of our organisation. Nuix continues to attract high quality candidates as we grow. Two significant hiring campaigns commenced in relation to EMEA and engineering, which was followed with a third campaign to add sales resources in the United States. This year, Nuix added people in France and Italy for the first time, and we've made further improvements in our approach to ESG, including important initiatives for our people and a renewed focus on our remuneration programs, wellbeing, training, development and recruitment.

Nuix's leadership team continues to expand. Over the last 18 months, about 40% of the leadership team are new to Nuix and this brings new ideas and fresh approaches to an already robust leadership

team, which will aid in the evolution of the company.


Despite some challenging conditions in FY21, the Nuix team made considerable advances in terms of customer wins and expansion, research and development and initiatives to support our people.

The opportunity for Nuix to continue to contribute to our customers' technology needs and participate in broader social good is significant. As an organisation we remain on track to innovate and evolve. We will continue to work hard to support all our stakeholder groups into FY22 and beyond.

Thank you to our people, customers, partners, shareholders and other stakeholders for your support this year.

A handwritten signature in black ink, appearing to read 'Rod Vawdrey'.

Rod Vawdrey
Group Chief Executive Officer

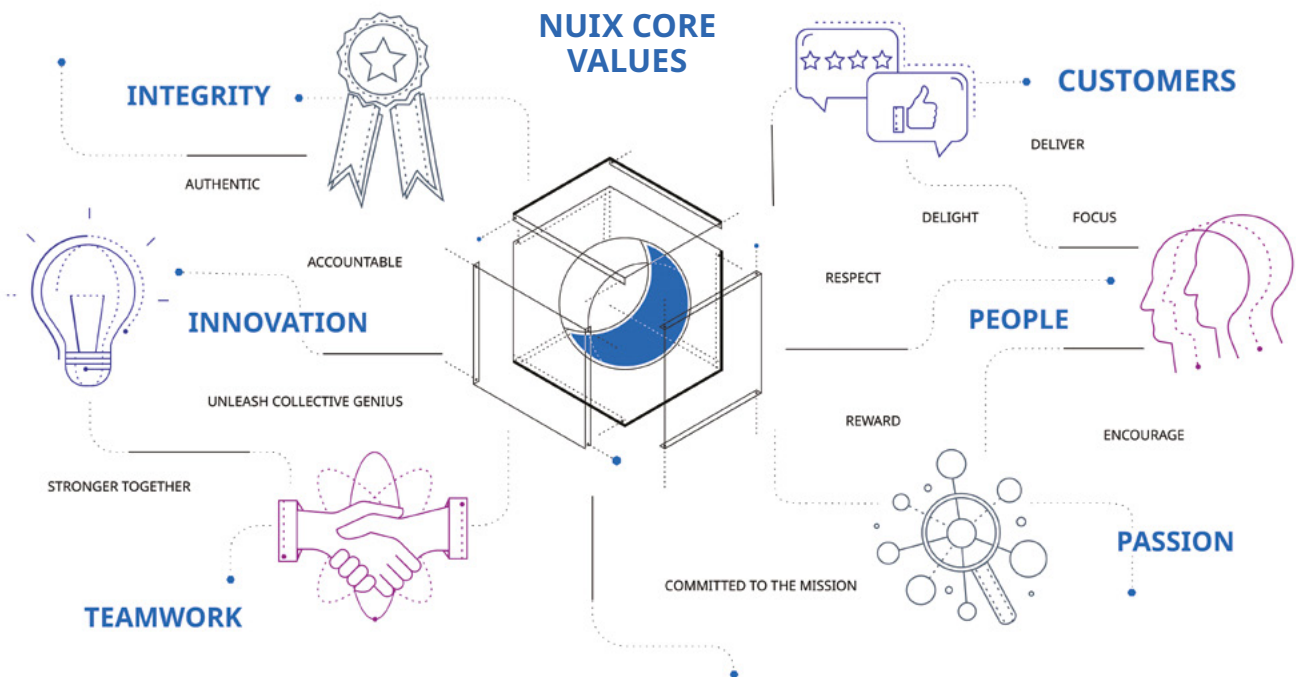


**NUIX FINISHED
THE YEAR IN A
STRONG FINANCIAL
POSITION, WITH
\$70.9 MILLION IN
NET CASH, GIVING
THE ORGANISATION
FLEXIBILITY TO
PURSUE GROWTH
OPPORTUNITIES**

Our Vision

FINDING TRUTH IN A DIGITAL WORLD

Nuix's vision is "finding truth in a digital world". Nuix strives to foster a customer-collaborative and innovative culture through a talented team of employees who are motivated to build software with purpose and assist its customers to contribute to a wider public and social good. All Nuix employees are encouraged to follow Nuix's six core values, which drives the success of the organisation.





CUSTOMER STORY:

Police Scotland

Seeking to improve the efficiency of its digital forensics investigations, Police Scotland benchmarked its traditional technologies and processes against a workflow using Nuix Workstation and Nuix Investigate.

For the proof of concept, Police Scotland used a series of drug supply cases that involved data from seized mobile devices and an investigation into a major fraud operation, which had netted more than £4 million and involved more than 100 mobile devices and computers.

“This is, without doubt, more robust, more efficient and more cost-effective than anything ever used previously and is definitely the way forward.”

– Senior investigator,
Police Scotland

Results

- Halved the average time it took officers to complete a forensic analysis.
- Increased the average number of cases completed per analyst by 75 per cent.
- Allowed investigators to complete a case in months that would have taken years using the old methods.

Police Scotland

Police Scotland’s purpose is to improve the safety and wellbeing of people, places and communities in Scotland, focusing on Keeping People Safe in line with the values of Integrity, Fairness and Respect. It is the second largest force in the UK after the Metropolitan Police with a workforce of 23,000 officers and staff working together for the people of Scotland.

ESG Report

ENVIRONMENT, SOCIAL AND GOVERNANCE

This is the first time Nuix Limited is presenting information on Environmental, Social and Governance (ESG) topics and it covers the period from 1 July 2020 to 30 June 2021. In developing this information, Nuix was guided by the Sustainability Accounting Standards Board's (SASB), Software and IT Services Sustainability Standard on the basis of preparation and identification of the most relevant and significant areas of focus for this report.

Nuix is a powerful platform trusted by organisations around the world to deliver insights into data. Whilst this is our first ESG Report we have a long history of contributing to society.

Our software is often used for beneficial societal outcomes, such as:

- Nuix's software is used by customers involved in counter-terrorism and investigations of other violent and premeditated crimes, as well as preventing and remediating insider threat and cyber security breaches
- Nuix helps higher education institutions that offer coursework in eDiscovery and digital forensic investigation by providing Nuix software and training for university staff who teach these disciplines
- Nuix has established relationships with 11 higher education providers across the US and the UK
- Nuix has provided investigation software at no charge in a number of high-profile investigations including Matla A Bana – a Not For Profit working with the child protection units and the International Consortium of Investigative Journalists (ICIJ) to support its work in publishing the Paradise Papers, Panama Papers and the Offshore Leaks Database.

NUIX IS A POWERFUL PLATFORM TRUSTED BY ORGANISATIONS AROUND THE WORLD

Since listing, Nuix continues to formulate its strategy and approach to ESG and we will continue to refine our approach. This includes defining issues that matter most in the context of the work that Nuix undertakes. Nuix identified the following key areas of focus within the pillars of ESG:



ENVIRONMENT



SOCIAL



GOVERNANCE

FY21 HIGHLIGHTS

- Continued to partner with suppliers with Net Zero or Carbon Neutral plans in place.
- Formalised the Nuix Foundation to build on the previous philanthropic work Nuix has undertaken in the past 10 years through Room to Read.
- Released the inaugural Modern Slavery Statement in March 2021.
- Introduced volunteer leave for all staff globally.
- Established a global wellbeing program.
- Appointment of interim Chief Financial Officer, Chad Barton in June 2021.
- Established an internal Investor Relations function and appointed a Head of Investor Relations in July, to lead Nuix's engagement with investors and other stakeholders to ensure Nuix remains responsive to market feedback and engages proactively and regularly on matters that are important to our stakeholders.
- Established a risk function.
- Establishment of an Independent Board Sub-Committee to ensure appropriate oversight and review of recent matters raised by market participants. The Independent Board Sub-Committee is comprised of independent directors Hon. Jeff Bleich, Sir Iain Lobban and Sue Thomas and it works with external advisers and Nuix's internal legal and risk management functions.

ENVIRONMENT, SOCIAL AND GOVERNANCE (CONTINUED)



ENVIRONMENT



SOCIAL



GOVERNANCE

FUTURE DIRECTION

- To continue to assess and review our existing supplier and partner network's compliance with the law.
- Operating Nuix's infrastructure with AWS efficiently and to mitigate future emissions.
- Enhancing future procurement decisions to better consider the environment and climate impacts.
- We intend to further study Nuix's carbon footprint and develop a pathway towards carbon neutrality.
- Further support our staff through a number of initiatives, including focus on: values, leadership, employee engagement, communication, talent acquisition and retention and diversity.
- Increasing our awareness and understanding of our partner and supplier compliance, amend our current third-party risk assessment to include questions aimed at uncovering potential modern-day slavery and human trafficking issues, and eliciting minimum commitments with respect to ongoing compliance.
- Working with suppliers to better understand our supply chain both in terms of human rights and climate targets.
- Implement a process, to ensure to the maximum extent possible that our technology is not sold to parties who may use it for social purposes which do not meet our values.
- Enhancing Nuix's giving through the Foundation and enabling further support to the causes that are important to our employees with matching programs.
- Leadership: further developing the understanding of employee roles as leaders and how they "show up" to their teams. Increasing capability through training, coaching and toolkits, and engaging leaders in communications and the role they play.
- Diversity: building awareness of inclusion and the importance of creating an inclusive environment and better leveraging diversity initiatives such as broadening the impact of Women in Nuix, increasing awareness of biases and tools for ensuring an inclusive work environment.
- During FY22, Nuix will further formalise its ESG strategy, including key performance indicators and targets to measure and track our performance.
- Additional Board Appointments: After the end of the Financial Year, Nuix announced the expansion of the Board with the appointment of two new independent Non-Executive Directors. These appointments expand the Board composition from five to seven members.
- Working toward developing and implementing components of each of the Risk Management Framework pillars in a considered manner.

This report contains information on current ESG initiatives and Nuix's plans for the year ahead and beyond. Nuix intends to undertake a more formal materiality assessment in the coming year to explore and prioritise the most relevant areas of focus for ESG reporting.

CUSTOMER STORY:

Bird & Bird

International law firm Bird & Bird relied on external providers to collect and process data for investigations and legal cases. Nuix was able to offer a more efficient solution.

Bird & Bird's in-house digital forensics team now uses Nuix Enterprise Collection Centre to gather digital evidence from client sites, including files email, cloud sources and mobile devices. The team then applies Nuix Workstation to process, filter and interrogate the data before loading relevant items into its secure review environment.

Results

- Reduced data volumes sent for review by up to 90%.
- Controlled fees paid to external providers, allowing greater flexibility on pricing client services.
- Streamlined discovery processes with fewer data exchanges between parties.

Bird & Bird

Bird & Bird (www.twobirds.com) is an international law firm with a focus on helping organisations being changed by technology and the digital world. It has more than 1,300 lawyers in 29 offices across Europe, the Middle East, Asia-Pacific and North America.

"We don't have to rely on our clients knowing how to extract data – we give them a hard drive; they plug it in and it collects everything for them."

– Head of Forensic Technology, Bird & Bird Poland

ESG Report

ENVIRONMENTAL RESPONSIBILITY

As a global company we play an important role in addressing climate change. The company is currently undertaking work to more accurately measure its carbon footprint and greenhouse gas emissions. It is anticipated further detail will be released in the FY22 annual report.

Nuix's longer-term ambition is to become Net Zero or Carbon Neutral for our global operations, whereby our greenhouse gas emissions are reduced and offset by purchasing carbon offsets. The next steps in our Net Zero commitment will be commenced once the company's global carbon footprint work is completed.



ENVIRONMENTAL FOOTPRINT OF HARDWARE INFRASTRUCTURE

Nuix's carbon emissions and the environmental footprint of our hardware infrastructure is largely attributable to the buildings we occupy as part of the Nuix offices around the globe where our staff are located.

These buildings are under leasing arrangements. As such Nuix's operations are not carbon intensive and direct emissions include energy use from electricity and gas for heating and cooling the offices Nuix staff are located in.

Indirect greenhouse gas emissions, also known as Scope 3 emissions, that occur as a consequence of the activities of a facility, but from sources not owned or controlled by facility's business, most significantly includes the use of data centres that host Nuix's SaaS platform.

DATA CENTRES – INDIRECT EMISSIONS IN OUR SUPPLY CHAIN

Nuix utilises multiple data centre providers to run its business/ corporate and customer services. All customer services are run on Amazon Web Services (AWS). Amazon Web Services (AWS) has made the following investments in renewable energy¹ in regions that Nuix utilises:

- **AWS CAD:** Purchases Renewable Energy Credits and Guarantees of Origin;
- **AWS SYD:** One wind farm and two solar farms;
- **AWS FRA:** Purchases Renewable Energy Credits and Guarantees of Origin;
- **AWS LHR:** Four wind farms;
- **AWS NVA:** 52 renewable energy sites made up primarily of solar farms and some wind farms;
- **AWS ORE:** Purchases Renewable Energy Credits and Guarantees of Origin; and

- **AWS GOV:** 52 renewable energy sites made up primarily of solar farms and some wind farms.

AWS also focuses on its environmental footprint through end-to-end efficiency across its facilities and its water stewardship program. Surveys conducted by 451 Research show that AWS's infrastructure is 3.5 times more energy efficient than the median of US enterprise datacentres surveyed. AWS's environmental sustainability plan is to be 100 per cent renewable by 2025.

Nuix also utilises QTS in Ashburton, Virginia, USA and Macquarie Cloud Services in Sydney, Australia. QTS² has set key environmental goals for all of their facilities across the USA, including:

- Produce 100 per cent of power from renewable energy sources;
- Pursue green building certification in 90 per cent of QTS facilities by 2025;

- Conserve at least 10 million gallons of water each year;
- Install electronic vehicle (EV) charging stations at 30% of ATS facilities by 2025;
- Recycle 600 million pounds of material by 2025; and
- Macquarie Cloud Services currently does not share their sustainability plans for their data centres.

E-WASTE – RECYCLING OF OLD COMPUTER EQUIPMENT

Nuix recycles all unwanted or used computer equipment annually, avoiding this equipment ending up in landfill and causing greenhouse gas emissions. During FY21, Nuix employed Reclamere in the USA to recycle all unwanted equipment in the Seattle, WA, office.

Nuix plans on measuring the amount of equipment in tonnes that is recycled and diverted from landfill next financial year.

¹ Sustainability in the Cloud (aboutamazon.com).

² Environmentally-Friendly Green Data Centers | QTS Data Centers.

ESG Report

SOCIAL RESPONSIBILITY

As a global company with a vision to find the truth in a digital world, Nux has a responsibility to ensure that our social impact is managed appropriately and that we continually look for ways to make a positive contribution to the world in which we live.

Nux's software is used by our customers to solve real societal problems. This is just one of the ways that Nux works for the greater good.

Nux's people are our most important asset. Nux will continue to invest in the welfare of its people with a range of different initiatives focussing on wellbeing and development.

HELPING CUSTOMERS SOLVE REAL SOCIETAL ISSUES

Nuix software is used to solve complex data problems across a broad scope of use cases, demonstrating the breadth and flexibility of the platform.

Nuix's customer base consists of more than 1,000 existing customers as at 30 June 2021, including large government agencies, regulators, corporations and professional services firms. Nuix software is sold directly by Nuix and indirectly through a partner network of over 180 partners who actively market, and in some cases support, the Nuix platform.

Alongside traditional corporate uses, Nuix software is also used for social good causes such as combating child exploitation and terrorism. Investigators across different jurisdictions use Nuix software to combat criminal acts involving children and other vulnerable groups using tools that piece together disparate information sets, including dealing with evidence in a sensitive way. Our product teams and engineering teams are dedicated to continuing to innovate so that these crimes can be prosecuted and prevented in the future.

Additionally, our software is used by customers involved in counter-terrorism and investigations of other violent and premediated crimes. Nuix Investigate allows analysts to view data in relationship which means they can see who was talking to whom and from where. Investigators can draw relationships between seemingly disparate data sources to combat criminal activity.

Nuix Workstation, Investigate and Adaptive Security are also used by



customers working to identify and remediate insider threat and cyber security breaches. Adaptive Security allows Nuix customers to analyse behaviour on endpoints and stop processes in real time. The tool can also incorporate preventative rules to prevent risky behaviour.

ENSURING OUR CUSTOMERS' VALUES ARE ALIGNED TO A GREATER GOOD

In order to ensure that Nuix only conducts transactions with parties in lawful³ jurisdictions, all transactions are subject to and conditioned upon successful completion by Nuix of the following procedures:

- Screening of all transactions (including at the time of order entry and shipment) for Prohibited Destinations;
- Screening of all new leads, contacts and opportunities against the U.S. Consolidated Screening List and other

international economic sanctions and export screening lists (for example, BIS Denied Persons/Unverified List, Most Wanted Terrorist List (FBI), the Office of the Superintendent of Financial Institutions (OSFI) (Canada), HM Treasury Sanction List (UK), European Union Consolidated Financial Sanctions List, United Nations Security Council Consolidated List); and

- Identification and notification to the Legal Department of any "red flags" or other indications that shipment may present a risk of diversion.

All positive hits and red flags are reported to Nuix's legal department before any action is taken or commitment is made.

Because the Prohibited Parties and Prohibited Destinations lists are modified frequently, Nuix screens the entire customer database periodically to ensure that existing Nuix customers subsequently designated as a Prohibited Party are identified.

³ For example, the Crimea region of Ukraine, Cuba, Iran, North Korea, and Syria (Prohibited Destinations) or parties named on the various sanctions and export screening lists maintained by the U.S. and other governments (Prohibited Parties).

SOCIAL RESPONSIBILITY (CONTINUED)

SOCIAL CONTRIBUTION – THE NUIX FOUNDATION

Nuix has been contributing to the greater good of solving societal problems for over ten years through its philanthropic work with Room to Read, a not-for-profit organisation for improving literacy and gender equality in developing countries.

During the year, the Nuix Foundation was formalised. The Foundation is a philanthropic organisation which assists in protecting and defending vulnerable groups by donating software and services to a range of agencies and not-for-profits. These organisations drive positive learning outcomes in digital discovery and forensics, as well as build schools, provide literacy materials and sponsoring higher education paths.

These activities reflect Nuix's core values by partnering with progressive organisations that strive to make a positive contribution to society.

During FY21, the Nuix Foundation continued to build on its past success by donating its investigation software and associated training to the value of A\$150,000 to Freeland and TRAFFIC enabling these organisations to combat human and wildlife trafficking crimes. Nuix is currently in discussion with other not-for-profits as to how Nuix may be able to help solve problems that they are facing.

Nuix matches staff donations made to supported causes. During the last financial year donations have been made to support those impacted by

the floods in the Philippines, the explosion in Lebanon and the COVID-19 crisis in India, as well as global causes such as Movember.

In addition, in FY21 Nuix introduced one day volunteer leave for all staff globally. This enables all staff to dedicate time to the causes that are important to them and we encourage our staff to share their experiences with their colleagues. Due to the restrictions placed on many of our jurisdictions as a result of COVID-19, Nuix has been providing our staff with ideas as to how they can utilise their volunteer day in a virtual environment.

**WE ARE COMMITTED
TO ACTING ETHICALLY
THROUGHOUT OUR
ORGANISATION**



MANAGING HUMAN RIGHTS

Nuix is fully committed to preventing modern slavery and human trafficking in its operations and supply chains across all jurisdictions in which it operates. Nuix is also committed to continuously improving its processes and policies with respect to the identification and elimination of modern slavery. The Modern Slavery Statement for Nuix covering the 12 months ending 30 June 2020 was approved by the Board and lodged with the Australian government in March 2021. This Statement outlines the steps Nuix has taken to identify and address the risks of modern slavery to its business operations and supply chain.

Nuix's six corporate values underpin its approach to social issues including Modern Slavery and Human Rights issues, incorporating work in the community via the Nuix Foundation and our partnerships, supply chains and employees. We are committed to acting ethically throughout our organisation by complying with all applicable legal obligations and we take a zero-tolerance approach to any form of modern slavery.

Nuix has assessed the risk of modern slavery within our direct business operations as low, given the level of control we have within our operations and our comprehensive labour management. However, we recognise that we may be indirectly exposed to these risks through our supply chain and partner network.

We have not been made aware of any allegations of human trafficking/slavery activities against any of our subsidiaries, suppliers or partners. We have identified the following procurement categories that may have a higher risk of modern slavery:

- Facilities service providers (i.e., cleaning services, office maintenance, waste management and security); and
- Information and Communication Technology (ICT) infrastructure and hardware.

Nuix is working with our suppliers to ensure that we have a thorough understanding of their approach to the management of modern slavery and human rights issues.



SOCIAL RESPONSIBILITY (CONTINUED)



DATA SECURITY AND PRIVACY

At Nuix, we understand that data security and privacy are of the highest importance to not only our organisation, but most importantly to our customers.

Nuix has implemented risk management measures in accordance with ISO/IEC 27001:2013 – Information Technology – Security Techniques – Information Security Risk Management (Second Edition) Standard. Such measures help to mitigate risk, for example relating to the Nuix-hosted cloud environment, hosted within AWS data centre(s). In this scenario, although the customer has full control over the document data that is uploaded into Nuix Discover SaaS, Nuix is responsible for the security and availability of the data.

Nuix has an IT Security and Risk Committee which undertakes monthly assessments of an IT risk register.

Protecting customer data

Nuix prioritises the safety and security of customer data. Since 2019, Nuix has maintained ISO 27001:2013 certification and in 2020 was assessed to host Australian Government data classified as PROTECTED under the Information Security Registered Assessors Program (iRAP) program (700 controls). 2021 will see Nuix continue with its ISO program, not only recertifying in ISO 27001:2013 (206 controls) but adding ISO/IEC 27017 (13 additional controls) and ISO/IEC 27018 (28 additional controls). Nuix has also been assessed compliant against the Australian Prudential Regulation Authority (APRA) CPS234 cyber resilience program.

Nuix operates the Discover SaaS platform in six AWS regions with a new region coming on-line in December 2021, US Gov-Cloud.

Nuix’s customer data is managed by over 947 independently verified controls. Further to this, as Nuix works towards Federal Risk and Authorization Management Program (FedRAMP) HIGH assessment, an additional

421 controls will be added and independently verified.

To achieve these certifications and assurances, Nuix invests heavily in many security and monitoring tools to cover all aspects of the environment. Firstly, Nuix’s SaaS environment that hosts customer data is physically and logically separated from Nuix’s corporate network. Nuix utilises world-class cybersecurity vendors such as Palo Alto, Splunk, DUO, Carbon Black, TrendMicro and Nuix to protect and defend the environment.

Nuix, and its authorised Cloud Service Providers (CSP), offer and use high-grade software encryption to protect customer data at rest and in transit, including backups using industry standard encryption techniques and cryptographic resources.

Nuix applies a least privileged access approach to managing the SaaS environment. A team of staff based in Sydney, Cork and Virginia are responsible for the 24x7x365 operational management of the SaaS platform.

WE UNDERSTAND THAT DATA SECURITY AND PRIVACY ARE OF THE HIGHEST IMPORTANCE



Protecting our corporate network

Much like Nuix's SaaS platform, Nuix's Corporate Network utilises world class products to protect and defend Nuix's assets. The entire network, firewall configurations and Standard Operating Environment (SOE) have been independently verified and tested by an independent expert.

Vulnerability management of the platform

Vulnerability management at Nuix takes on three distinct forms, code vulnerabilities, SaaS infrastructure vulnerabilities and corporate IT vulnerabilities. Nuix utilises industry standard code quality, dynamic and static code analysis platforms and follows common vulnerability scoring system (CVSS) for remediation.

SaaS Infrastructure is constantly scanned using Tenable.IO to detect vulnerabilities across the infrastructure and allow for real-time remediation. Nuix performs monthly patching across the SaaS platform and will perform critical patching as needed.

Nuix's endpoints are all connected and managed to a central endpoint management platform. Endpoints are patched on a monthly basis or more frequently depending on the criticality of the patch. Each year, an independent security specialist conducts a threat hunt across the environment and provides remediation actions to Nuix IT and CISO to implement. Nuix conducts bi-annual penetration testing of the SaaS and Corporate IT environment.

Continuous monitoring

Nuix has a 24x7x365 Security Operations Centre (SOC) managed by an external host based in the USA. Nuix has also deployed application, network and administrative monitoring across the platform to ensure that all administrative operations are logged. Nuix SaaS provides customers the ability to log the actions of their own users and run usage reports as needed.

Nuix is the only eDiscovery software company to have achieved iRAP PROTECTED assessment from the Australian Cyber Security Centre and offer it directly to customers as a SaaS platform.

INTELLECTUAL PROPERTY REGULATION

Nuix is subject to laws and regulations relating to intellectual property in the jurisdictions in which it operates. The primary intellectual property assets of Nuix are its patented processing technology, copyrights and trademarks. Nuix's material patents are currently all located in the United States and Nuix software is developed in Australia and the United States.

In the United States, patent, copyright, trademark and trade secret rights contained in laws and regulations govern the ownership, prosecution, maintenance, enforcement and infringement of intellectual property. Examples of such laws and regulations are the Patent Act of 1952, Copyright Act of 1976, Digital Millennium Copyright Act of 1998, Lanham Act of 1946, Defend Trade Secrets Act of 2016 and other federal and state laws and regulations.

ESG Report

OUR PEOPLE

RECRUITING AND MANAGING A GLOBAL, DIVERSE AND SKILLED WORKFORCE

Nunix is headquartered in Sydney, Australia and had a total headcount of 439 as at 30 June 2021 across North America, EMEA and Asia Pacific. In addition, there were a small number of individuals that were engaged through labour hire firms or contractors.

Nunix believes that it is important to create the best possible work environment for everyone and every person, regardless of position, shares in the responsibility for promoting a positive work environment. Nunix's continued success is dependent upon its ability to attract and retain skilled and qualified employees.



WITH AN ESTABLISHED GLOBAL FOOTPRINT, NUIX HAS

56%

of its staff based in North America

32%

based in Asia Pacific

12%

based in EMEA

AS AT 30 JUNE, NUIX HAD STAFF LOCATED ACROSS 11 COUNTRIES AND POST 30 JUNE HAS EXPANDED INTO TWO NEW COUNTRIES

43%

of our staff are focussed on sales and distribution

41%

are dedicated to Research and Development, with the remaining staff providing support to the business

GUIDED AND INSPIRED BY OUR VALUES

As a growing global business, values are extremely important to underpin how we want to be known and how we unite as a global team. Nuix has six core values – Customers, Innovation, Teamwork, People, Integrity and Passion. All these values support our vision as a company to find truth in a digital world.

It has been a challenging year for Nuix and Nuix has invested in ensuring that our staff understand these values and they are a key part of the culture of Nuix. Nuix staff work hard and care deeply about the quality of the work they do. They show their passion, purpose and skill and care about our customers and helping them to be successful. Our people at Nuix are proud of the work we get to do and are collaborative and always willing to work “shoulder to shoulder” with each other and with our customers to support projects.

Nuix has an employee recognition program linked to the values called Catch Me At My Best. Throughout the year staff can nominate individual colleagues or teams for behaviours that

demonstrate the Nuix values. On a quarterly basis, regional winners are announced and at the end of each year a global winner is announced against each of the values.

Nuix’s Code of Conduct outlines the expectations that we have of our staff and their behaviour and underpinning this Code of Conduct are the Nuix values. Nuix is committed to behaving with integrity, developing best-in-class software, and providing superior service which will be achieved through its people. Nuix is committed to instilling and continually reinforcing a culture across the organisation of acting lawfully, ethically and responsibly. On an annual basis all staff are required to attest that they have read the Code of Conduct and understand the behaviours by which they will be measured.

Nuix is committed to conducting its business with integrity and in accordance with Nuix’s corporate values. Nuix has adopted a revised Whistleblower Policy, which applied upon listing on the ASX, which encourages current and former directors, employees, consultants, contractors and suppliers (as well as their relatives, dependants or spouses)

to raise any concerns regarding actual or suspected illegal or unethical conduct or practices, or violations of Nuix’s policies on a confidential and, if desired, anonymous basis. The Whistleblower Policy outlines how Nuix will protect such persons for raising concerns and how reported concerns are received and, where appropriate, investigated by Nuix. Nuix has a phone and web-based reporting system called the Nuix Whistleblower hotline which enables all our staff to confidentially report any concerns that they may face. This hotline is managed by an independent third party and is designed to enhance communication and empower our staff to promote safety, security and ethical behaviour.

It is Nuix’s policy to conduct all business in an honest and ethical manner. Nuix’s Anti-Corruption and Anti-Bribery Policy outlines the company’s zero tolerance approach to bribery and corruption, as well as implementing and enforcing effective systems to counter such actions. It also reinforces Nuix’s commitment to acting professionally, fairly and with integrity in business dealings and relationships.

OUR PEOPLE

(CONTINUED)

Over one third of Nuix's global workforce participated in a six-week team fitness challenge which saw global teams form to compete against one another by encouraging all employees to undertake 15 minutes of exercise every day.

WORKING TO IMPROVE DIVERSITY OF OUR WORKFORCE

Nuix considers our people to be our greatest asset and Nuix has a commitment to increasing the diversity of its employee base over time, from both a gender and ethnicity perspective. The workforce is made up of many individuals with diverse skills, values, experiences, backgrounds, and attributes. Nuix values its strong and diverse workforce and is committed to supporting and further developing this diversity through attracting, recruiting, engaging, developing, and retaining this diverse talent. We believe that our commitment to diversity creates competitive advantage and enhances our employee participation.

Building awareness of inclusion and the importance of creating an inclusive environment is a critical path to creating an environment that enables diversity to flourish. Nuix continues to educate our teams around understanding their biases and how they can impact day to day decision making unconsciously, as well as providing tools and education to ensure an inclusive work environment.

Diversity initiatives

Nuix has several initiatives to improve female representation, which has been a challenge in the IT software and technology sector. Currently 26% of the Nuix workforce is represented by females. This has been at a consistent level for the last few years.

Nuix is committed to improving diversity on many fronts and has been working with our talent acquisition partners to increase the diversity of our workforce.

Women in Nuix is a group of both female and male staff across Nuix globally that are focused on raising the awareness of the importance of diversity. This group has grown and focuses on:

- Career development for one another and other women in our industry;
- Charitable work to help lend a hand to women in underprivileged situations; and
- Elevating the voices of women in our industry (both at Nuix and beyond).

As part of the Women in Nuix efforts, a podcast was launched. We have a panel of women that serve as the rotating hosts of the podcast. The content is delivered in a series of interviews, where customers and partners who are breaking new ground or may be advocating for the under-represented are interviewed. As well as interviewing women in other industries who are taking bold steps to achieve success in previously inaccessible roles.

The group actively focuses on ensuring that balance is achieved between genders for external events and promotions related to Nuix, such as podcast, webinars, white papers and conferences. The group looks to support, empower and elevate women in Nuix through mentoring, development, information sharing and allowing women to take the opportunity to give back through volunteering and charity work.



OUR PEOPLE

(CONTINUED)



OUR SUCCESS IS UNDERPINNED BY OUR PEOPLE

INVESTING IN OUR PEOPLE

Nuix continues to be focused on our people, their needs and their development as our success is underpinned by our people. We take pride in providing and creating ongoing opportunities for our people to grow and succeed.

Wellbeing

Nuix has put in place a wellbeing program globally which has enabled our staff to take the time to focus on themselves and their health and wellbeing and their development. The program includes an online information portal enabling our people to access a range of health and wellbeing resources and activities, fitness initiatives and a range of sessions focused purely on the interests of our people.

Over the course of the last year, our employee social groups have also driven their own initiatives in each region to increase connectedness with various social interactions from virtual lunches, Halloween costume competitions to virtual watercooler engagement.

Flexibility

Nuix believes that providing our people with flexibility in the way they work contributes to a more inclusive work environment, increases their engagement and retention and increases wellbeing all while delivering business outcomes. This approach to flexibility has continued throughout COVID-19 and our people have appreciated what this has meant for them and their ability to continue working in rewarding roles, while balancing their personal commitments and responsibilities.

Learning and development

All of our people have the ability to participate in professional development with Nuix. This is tailored to the role that the individual undertakes.

Responding to Nuix's multiple regions and teams, Nuix's Learning and Development (L&D) team developed a series of onboarding and professional development courses that are offered via a Learning Management System, the Nuix Academy. Here employees can undertake all of their compliance

and governance training as well as product, sales and soft skills courses like leadership, time management, sales acumen and other self-guided learning.

In addition, on annual basis, our people undertake compliance refresher courses which involves training across all our employees and reaccreditation of the various compliance courses that Nuix requires.

In the last financial year, a significant number of Nuix staff had access to the training that Nuix provides our customers, with 60 of our staff receiving Nuix accreditations and 45 staff becoming Nuix Masters.

This year, Nuix launched its first people month, focusing on our people and their development. Over the course of May, courses, sessions, and seminars were run for staff in the various regions to provide them with personal development opportunities. Sessions covered a range of different topics from radical candour, understanding yourself and your motivation, driving your own career and focusing on your own development.

RESPONDING TO COVID-19

COVID-19 required a significant and rapid change to Nuix's business, people and customers. The company responded to changing government and health authorities' guidelines to prioritise the safety of staff and ensure no disruption to customers.

Remote working and virtual teams have become the new normal for many of our people as over 80% of our workforce has worked remotely for the past year with only our Sydney office having reopened during the financial year. For our Sydney office, throughout the year we put in place the appropriate measures required at the time, following local health and regulatory authorities including physical distancing, cleaning protocols, and personal protective equipment where required.

Our people have responded to the changed working environment with resilience and ingenuity, while never losing the focus on responding to our clients' needs.

Various technologies and strategies have been used to ensure continued connectedness with our colleagues and our customers.

We saw our people pivot to deliver virtual marketing events and engagement with our customers over the year, providing virtual set up, support and training for customers with an increase in the number of customers that achieved the various Nuix accreditations.

We continue to engage with our employees on not only their wellbeing but also what they will be focused on for a work environment for the future, so as to ensure as we evolve our thinking on the future of the work environment for Nuix, we have created an environment that meets the needs of our employees and also ensures that we continue to deliver to our customers.

Nuix did not seek or receive any government payments that were provided to employers as part of any COVID-19 package.

ESG Report

GOVERNANCE AND RISK MANAGEMENT

CURRENT CONTEXT

Our transition to becoming a public company over the last six months has surfaced a number of challenges relating to historical events, specific individuals and company governance. Nuix acknowledges the historical events that have come to light recently in the media and has responded to these as relevant via Nuix's Investor Centre and ASX Announcements.

Nuix is committed to the highest standards of corporate governance. The Company has operated across multiple jurisdictions over many years and has a proud history of working with regulators exercising the highest standards of probity. Nuix's performance and market position with customers continues to be strong and Nuix remains confident of its long-term prospects. The management team remains firmly focused on delivering its clear growth strategy including expansion into high growth target markets and industry verticals and value accretive mergers and acquisitions.

We are listening to the feedback from our shareholders and the market. While Nuix cannot change what has occurred, we can and already have taken action to strengthen our corporate governance. Our new initiatives are important building blocks to continue to strengthen corporate governance and achieve our performance objectives. We remain focused on delivering for our customers, maintaining a robust and vibrant corporate culture and achieving our potential. New controls and initiatives we are implementing are focused on renewal, replenishment, and strengthening, which will only serve to make us more resilient and provide fresh perspectives.



OUR APPROACH TO GOVERNANCE

Nuix recognises that strong governance and effective risk management are key to the success of an organisation.

Nuix has customers across all aspects of law enforcement, regulators, legal and corporates globally and applies the highest standards to the sensitive client data that we host. As part of Nuix's transition from a privately owned company to a listed entity, Nuix established a risk function to bring together the elements of risk management that were already being undertaken and has been focused on building out existing risk management and governance frameworks and policies. We are committed to ensuring that a consistent and long-term focused governance and risk management approach is embedded across all levels at Nuix.

We are currently formalising our Risk Management Framework which will be based on best industry practice and incorporate policies designed to improve the consistency in risk management decision making and identify, manage and mitigate identified risks to the business. As part of that process, Nuix has strengthened cyber security practices and continues to do so as part of continuous improvement. Nuix has established corporate governance practices which are formally embodied in corporate

governance policies and codes adopted by the Board. The aim of the policies is to ensure that Nuix is effectively directed and managed, risks identified, monitored and assessed, and appropriate disclosures made.

Responsibility for governance and risk management is shared between the Board and senior management. The Board reviews and ratifies the Risk Management Framework and provides oversight of management's execution of it. The Board monitors the adequacy of the processes for managing risk, including management's performance against the framework and whether management is operating with due regard to the risk appetite set by the Board, and whether the Company is adequately addressing financial and non-financial risk and contemporary and emerging risks such as conduct risk, digital disruption, cyber-security, privacy and data breaches, sustainability and climate change.

The Board is ultimately responsible for the overall governance, operation and stewardship of the Company, and in particular for protecting and optimising the long-term sustainable growth and profitability of the Company.

Nuix's Corporate Governance Statement and investor website provides full details of corporate governance policies and charters.

GOVERNANCE AND RISK MANAGEMENT (CONTINUED)

We remain committed to maintaining effective risk management systems and a risk culture that provides our employees with opportunities to grow.

OUR APPROACH TO RISK MANAGEMENT

Overview

Risk recognition and management are integral to our objectives of creating and maintaining shareholder value, and to the successful execution of our strategies. It aims to enable the pursuit of opportunities while achieving compliance with applicable laws, regulations, and contractual obligations.

Nuix has always had risk management front of mind and in transitioning from a privately owned company to a listed company, our risk management framework (RMF) and processes are continuing to be strengthened. We remain committed to maintaining effective risk management systems and a risk culture that provides our employees with opportunities to grow and improve their risk management capability that will support consistent and appropriate risk decisions.

Nuix has placed priority on further developing the RMF to be undertaken during FY22, as well as operationalising the assessment and management of risk. Works are already underway and significant progress has been made since the second half of FY21.

Some of the achievements to date include:

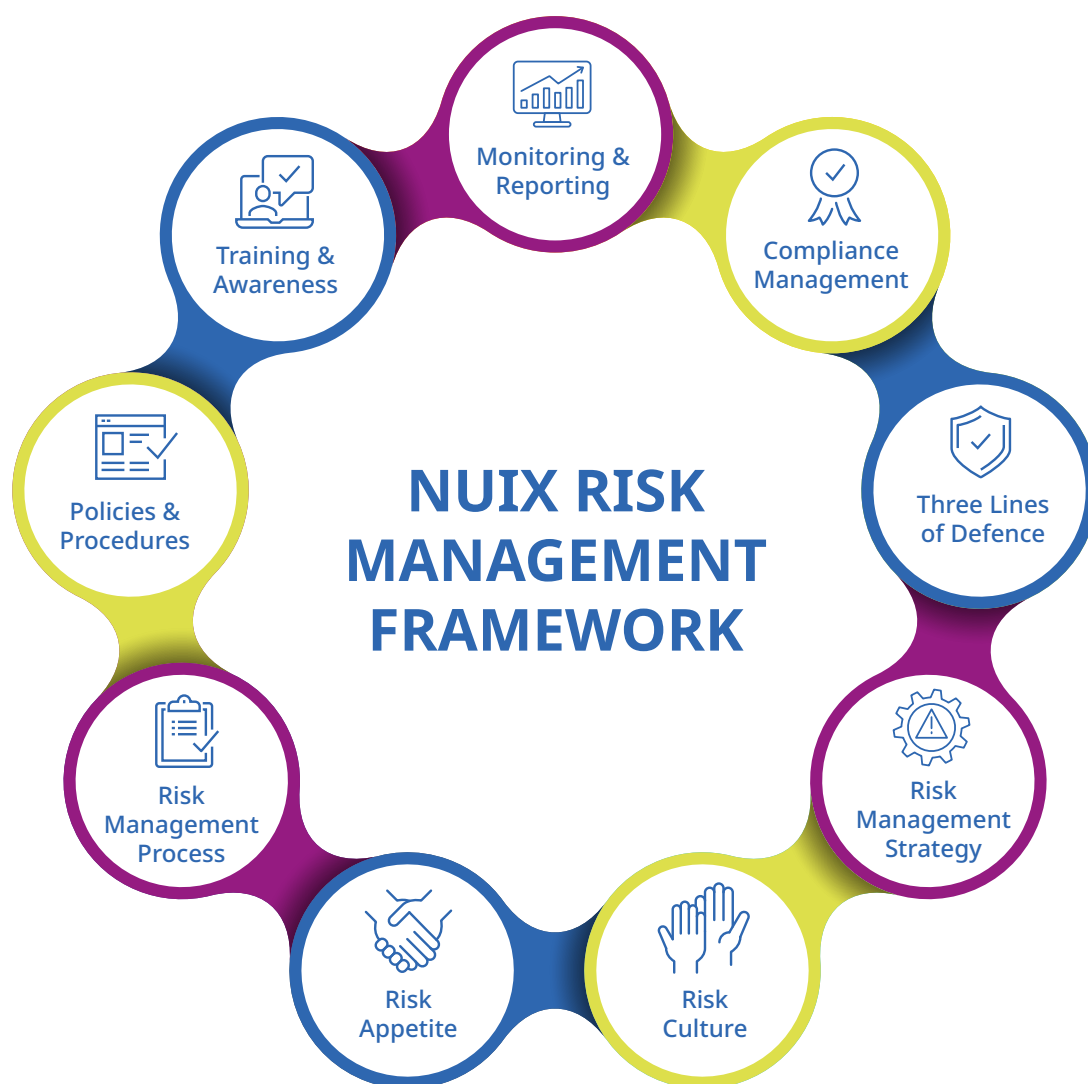
- Established a Risk function;
- Developed the Nuix RMF pillars which act as a guardrail to help drive a risk culture of accountability and ownership. We are working toward developing and implementing components from each pillar but doing so in a considered manner. Our evolving risk management focus and approach is appropriate for a newly – listed company;
- Recent workshops held to identify the inherent risk profile of Nuix that provides:
 - Greater clarity around our risks, gaps and related prioritisation;
 - Increased accountability to guide decision making.

Risk Management Framework

Nuix has a Risk Management Framework (RMF) which contributes to overall governance. The defined elements of our RMF outline our approach to risk management, seek to ensure a consistent approach to managing risk exists within the company and include formal processes to update the Board through the Audit and Risk Management Committee.

The purpose of the RMF adopted by the Board is to support the Risk Management Policy which ensures that:

- Appropriate systems are in place to identify to the extent reasonably practicable all material risks that may impact on the Company's business;
- The financial and non-financial impact of identified risks is understood, and appropriate internal control systems are in place to limit the Company's exposure to such risks; and
- Appropriate responsibilities are delegated to control the identified risks effectively.



Nuix has a great opportunity ahead to ensure its RMF is more formal, consistent, measured and prioritised for the size and scale of our company. Our RMF represents the mechanisms through which we deliver reliable products and service to our customers and retain the trust of key stakeholders, we do this by maximising opportunities to achieve our objectives and goals without exposing the organisation to unnecessary risk.

Risk Culture

Effective risk management is dependent on a positive risk culture so through the RMF, employees are encouraged to think about risk proactively, in a consistent and disciplined way. We recognise the importance of having regular and varied risk conversations that are open, purposeful and held at all levels of the organisation and of equal importance is to hold ourselves and others accountable to closing actions against our identified risks.

Risk Management Governance

The Board is responsible for risk oversight and the management and internal control of the processes by which risk is considered for both ongoing operations and prospective actions. The Board has delegated the risk management function to Nuix's management with oversight by the Audit and Risk Management Committee. Management provides risk reporting to the Audit and Risk Committee on a quarterly basis.

GOVERNANCE AND RISK MANAGEMENT (CONTINUED)

Risk Management Process

A key component of our RMF is the periodic assessment of key risks and we have established a continuous and dynamic process through which risks are identified, assessed, mitigated, and monitored.

A risk profile was produced following a series of workshops which identified potential risks, described the risks including estimated impacts and likelihoods of the risk occurring and developed strategies to mitigate or address the risks. Given the broad range of risks Nuix manages, the identified risks were mapped to a stable set of risk categories which include Human Capital and Culture, Cyber, Data Privacy and Protection, Legal and Financial and Treasury.

These risks are actively managed and reported on as part of Nuix's RMF and this structured approach provides a common understanding and alignment of the Nuix risk profile between management and the Board.

Key Risks

Details of Nuix's major risks and associated mitigation strategies are set out in Section 2.6 of the Director's Report.

Details on Financial Risks can be found in Section 7.1 of the Financial Report. In relation to Contingencies (Sheehy litigation, ASIC investigation and Class Action Risk), detail is provided in Section 9.5 of the Financial Report.

Nuix Limited and Controlled Entities

DIRECTORS', REMUNERATION AND FINANCIAL REPORTS

FOR THE YEAR ENDED 30 JUNE 2021

A.C.N 80 117 140 235
ASX Code: NXL

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DIRECTORS' REPORT

The Directors of Nuix Limited (Nuix) present their report for the consolidated entity comprising Nuix and its controlled entities (collectively referred to as the Group) in respect of the financial year ended 30 June 2021.

1. DIRECTORS

The following persons were Directors of Nuix during the year and up to the date of this report:

Jeffrey Bleich	Non-Executive Director, appointed as Chairman on 18 November 2020
Daniel Phillips	Non-Executive Director, resigned as Chairman on 18 November 2020
Rodney Vawdrey	Executive Director and Group Chief Executive Officer

The following people were appointed Directors of Nuix on 18 November 2020, and remain in office as at the date of this report:

Sir Iain Lobban	Non-Executive Director
Susan Thomas	Non-Executive Director

The following people were Directors of Nuix from the beginning of the year until their resignation on 18 November 2020:

David Standen	Non-Executive Director
Roy Grady	Non-Executive Director
Mark de Ambrosis	Non-Executive Director
Anthony Castagna	Non-Executive Director

2. OPERATING AND FINANCIAL REVIEW

The operating and financial review for the year ended 30 June 2021 has been designed to provide shareholders with a clear and concise overview of the Group's operations, financial position, business strategies and prospects. The review also discusses the impact of key transactions and events that have taken place during the reporting period, to allow shareholders to make an informed assessment of the results. Information that, if disclosed could give rise to likely material detriment to Nuix, for example, information that is commercially sensitive, confidential or could give a third party a commercial advantage has not been included.

The operating and financial review includes pro forma numbers for FY21 and the comparative period prepared on the same basis as presented in the Prospectus dated 18 November 2020.

The pro forma adjustments for the year ended 30 June 2021 remove the impact of offer costs, non-recurring transaction costs related to a sale process explored by Nuix as an alternative to the offer, and share-based payment expenses in respect of existing options that were cancelled on completion. The pro forma adjustments for FY21 also provide for a full year of listed company costs and the relevant tax impact of the pro forma adjustments.

You should read the following commentary with the consolidated financial statements and the related notes in the Financial Report. Some parts of this commentary include information regarding the plans and strategy for the business and include forward-looking statements that involve risks and uncertainties. Actual results and the timing of certain events may differ materially from future results expressed or implied by the forward-looking statements contained in this commentary. All amounts are presented in Australian dollars to the nearest thousand except where indicated.

Non-GAAP measures have been included, as we believe they provide useful information for readers to assist in understanding Nuix's financial performance. Non-GAAP financial measures should not be viewed in isolation or considered as substitutes for measures reported in accordance with Australian equivalents to International Financial Reporting Standards. These non-GAAP financial measures have not been audited or reviewed in accordance with Australian Auditing Standards.

2.1 Principal activities

The principal continuing activities of the Group are the development and distribution of software. No significant change in the nature of these activities occurred during the year.

2.2 Significant changes in state of affairs

The Company completed an initial public offering ('IPO' or the 'Offer') of its shares, whereby 51,904,161 new shares were issued by the Company and 127,574,983 shares were offered by existing shareholders at an offer price of \$5.31 per share.

The Company was admitted to the Official List of ASX Limited on 4 December 2020.

In relation to the Offer, the Company performed the following transactions:

- Issued 51,904,161 new shares at \$5.31 each;
- Cancelled 38,961,508 existing options to acquire shares of the Company;
- Incurred \$45,409,000 of costs related to the offer, \$1,014,000 related to listing fees and \$2,637,000 related to the sale process explored by Nuix as an alternative to the offer; and
- Granted options and performance rights as detailed in the Prospectus.

There were no other significant changes to the state of affairs of the Group during the year.

2.3 Business strategies

Nuix is a leading provider of investigative analytics and intelligence software with a vision of "finding truth in a digital world". Nuix's mission is to create innovative software that empowers organisations to simply and quickly find the truth from any data in a digital world. Nuix software has been used in investigations into some headline events over the last 15 years, including the Panama Papers, the Royal Commission into Misconduct in the Banking, Superannuation and Financial Service Industry in Australia, organised crime rings, corporate scandals and terrorist activities.

Nuix offers a software platform (**Nuix platform**) comprising a powerful, proprietary, data processing engine (**Nuix Engine**) and several software applications. It has been developed in-house, shaped by feedback from long-standing government and private sector customers over the past 15 years, and assists customers in solving many of their complex data challenges. The Nuix platform operates at a "forensic level", providing users with a highly detailed, contextualised and legally defensible way of viewing and interacting with their data. In simple terms, Nuix's Engine processes data fed into it by the customer, which is then available for use by the customer through one or more of Nuix's applications or directly through its Application Programming Interfaces (APIs) and connectors.

The market for investigative analytics and intelligence software includes the markets for eDiscovery software, digital forensics software, governance risk and compliance (GRC) software and endpoint security software.

Currently, Nuix's core markets are the eDiscovery software market and the digital forensics software market. Whilst these are not the only markets which Nuix serves today, they are the most relevant in terms of contribution to current revenue generation by Nuix. Both markets are global in nature. Nuix also operates in several other markets within the broader investigative analytics and intelligence software market, being the GRC software market and the endpoint security software market. These markets are a key part of the broader and strategic growth plan for Nuix and represent markets in which the Company is looking to expand its presence going forward.

Nuix's growth strategy seeks to expand its presence across geographies and in targeted industry verticals by winning new customers, employing an industry-centric "land and expand" strategy across industry verticals, continued investment in functionality of the Nuix platform, and improvements in overall operating efficiency and extracting potential benefits of increased scale. In addition, Nuix believes that growth can be accelerated by focusing on building a network of strategic partners to provide complementary delivery and market expansion capabilities, as well as through a considered approach to value accretive mergers and acquisitions.

DIRECTORS' REPORT (CONTINUED)

2.4 Group performance

Statutory revenue rose to \$176,068,000 up 0.1% on a functional currency basis, and 7.4% on a constant currency basis¹. New business contributed \$27,638,000 to revenue, with subscription-based revenue rising to 93% of the total revenue.

Nuix contracted 100 new customers over the course of the year. Average new order value rose to \$240,000, driven by higher value wins through a focus on enterprise sales. Customers displayed a continued willingness to enter into multi-year deals, with these contracts rising to 36.3% of revenue for the full year.

In North America, corporate and law firms were areas of strength, with 27 new customers signed. Our US Government (USG) team secured several significant contract wins with governmental agencies in the latter part of the year, building momentum into FY22.

Our EMEA business achieved important new customers wins during the year, with demand from Corporates particularly strong. In Germany we signed 27 new SaaS customers in the first year, and employees have been onboarded for our Southern European expansion.

Growth in Asia Pacific was driven by key logo wins across a range of industries and included a break-through corporate deal in Japan. In Australia, Discover SaaS data under management tripled.

As flagged during the second half, trading conditions affected upsell opportunities, particularly in the United States. In addition, the trend towards consumption-based licences impacted the timing of revenue recognition. Although this transition weighs on customer upsell in the short-term, the shift to consumption licences, including SaaS, allows Nuix to benefit more fully from growth in data volumes over time.

Table 1: Financial Highlights

	FY21 \$000 STATUTORY	FY21 \$000 PRO FORMA	FY20 \$000 PRO FORMA	VARIANCE PRO FORMA
Revenue	176,068	176,068	175,859	209
Cost of goods sold	(18,851)	(18,851)	(20,686)	1,835
Gross profit	157,217	157,217	155,173	2,044
Operating expenses	(126,697)	(90,168)	(99,711)	9,543
EBITDA	30,520	67,049	55,462	11,587
EBIT	(553)	35,976	27,057	8,919
NPAT²	(1,406)	25,239	18,767	6,471

NPAT result

Statutory loss after tax was \$1,406,000, as against the pro forma result being a profit after tax of \$25,239,000. The pro forma adjustments for FY21 are reconciled back to the statutory result in Table 2 below.

1 Constant currency metrics have been calculated using the below methodology:

- Constant currency rates are calculated by dividing the total FY2020 consolidated AUD revenue associated with a currency by the total FY2020 transaction currency revenue of the same currency, providing a weighted average exchange rate based on statutory revenue transaction in FY2020. This is then checked against the average daily rate provided by the RBA for appropriateness.
- This modified rate is then applied at a transaction level across FY2021 revenue to ensure that all metrics (region, domain, profit and loss department, etc) are re-weighted appropriately.
- Where there is a cost transaction in a currency where there have been no revenue transactions, the average RBA rate for FY2020 is used.
- Exchange rates used for constant currency calculations were: USD 1.4975; EUR 1.6505; GBP 1.8832 and CAD 1.0931.

2 Table 2 reconciles statutory and pro forma NPAT for FY21 and prior comparative period.

Table 2: Pro forma adjustments to statutory results and comparable prior period

	FY21 \$000	FY20 \$000
Statutory net (loss)/profit after tax	(1,406)	23,587
Incremental public company costs ³	(2,980)	(7,160)
Corporate actions ⁴	2,637	-
Net finance costs ⁵	-	341
Offer costs ⁶	33,291	-
Share-based payment expense ⁷	3,581	(65)
Tax impact ⁸	(9,884)	2,064
Pro forma net profit after tax	25,239	18,767

EBITDA result

Nuix's pro forma EBITDA result of \$67,049,000, up 20.9% per cent against the FY20 pro forma result, reflects consistent gross margins, with reduced total operating costs.

Table 3: EBITDA result

	FY21 \$000 STATUTORY	FY21 \$000 PRO FORMA	FY20 \$000 PRO FORMA	VARIANCE \$000 PRO FORMA
Revenue	176,068	176,068	175,859	209
Cost of goods sold	(18,851)	(18,851)	(20,686)	1,835
Gross profit	157,217	157,217	155,173	2,044
Gross margin %	89.3%	89.3%	88.2%	1.1%
Sales and distribution	(49,784)	(49,106)	(60,725)	11,619
Research and development	(10,775)	(10,042)	(8,179)	(1,863)
General and administrative	(66,138)	(31,020)	(30,807)	(213)
EBITDA	30,520	67,049	55,462	11,587

3 Reflects incremental public company costs: Nuix's estimate of the incremental annual costs that Nuix will incur as a result of being a listed company. These costs include director's fees, ASX listing fees, share registry costs, audit and legal fees, directors' and officers' insurance premiums, investor relations costs, annual general meetings costs, annual report costs and other public company costs. The adjustment for the year ended 30 June 2021 reflect the inclusion of estimated costs on a pro rata basis for five months, being such a period before Nuix was a listed company.

4 Removes non-recurring transaction costs arising from corporate actions: specifically the costs of a sale process explored by Nuix as an alternative to the offer in FY21.

5 Removes net finance costs: as the offer proceeds have not been used to pay down existing debt facilities during the period, no adjustment has been made vis a vie finance costs.

6 Removes one-off offer costs: total transaction fees related to the offer were \$45,409,000 of which \$13,132,000 (before tax) is directly attributable to the issue of new shares by Nuix, and has been recognised directly in equity. The remaining \$32,277,000 (before tax) relates to the sale of shares by the selling shareholders and is treated as an expense (within General and Administration). In addition to the costs related to the offer are the costs related with the listing fees of \$1,014,000, which are also included in this pro forma adjustment.

7 Removes share-based payment expense: these adjustments remove share-based payment expenses in respect of existing options that were cancelled on completion.

8 Tax impact of the above adjustments: these adjustments reflect the net tax impact of the pro forma adjustments at the relevant tax rates on the deductible amounts.

DIRECTORS' REPORT (CONTINUED)

Revenue

Revenue for the financial year was \$176,068,000, up 0.1% on the FY20 pro forma result.

New business growth was underpinned by higher average new order values and a material lift in the proportion of multi-year deals. Weaker net upsell detracted from the revenue outcome. Upsell was impacted by delays associated with US Government purchasing decisions, along with a more challenging operating climate in the US, partly due to the pandemic and broader economic uncertainty.

Traditional module-style licenses drove the bulk of statutory revenue. Consumption licenses continued to grow, with perpetual licenses and services falling year on year. The transition of customers to consumption licenses impacted revenue during the year, weighing on revenue growth in the short-term.

On a regional basis, the revenue fall in the US business was offset by rises in EMEA and APAC. Industry mix remains well diversified, with only small proportional changes year on year by industry group.

Software revenue metrics

Software companies like Nuix operate on many of the same performance metrics as traditional companies, such as revenue and cash flow. However, understanding the performance of software companies and being able to benchmark them is assisted by an understanding of specific non-GAAP metrics. The primary software revenue metric we use is Annualised Contract Value.

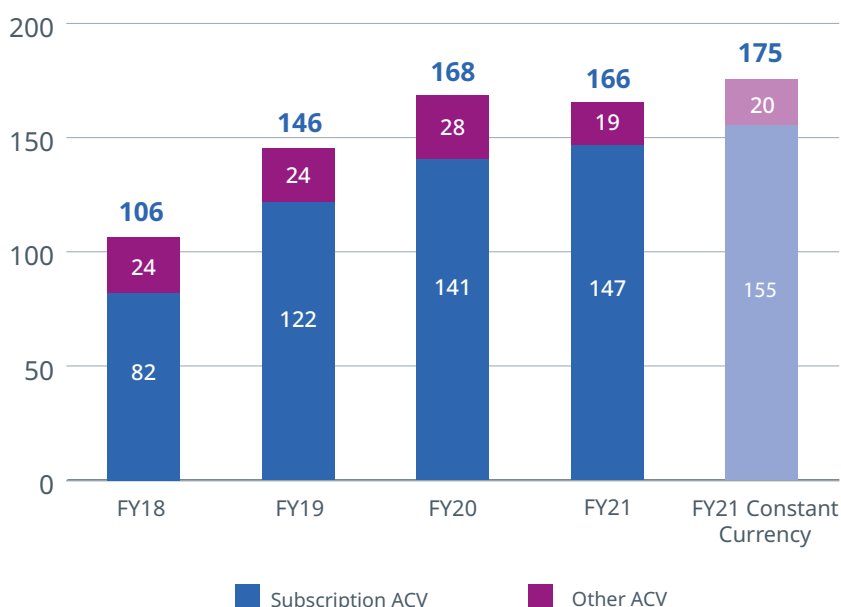
Annualised Contract Value ('ACV')

Annualised Contract Value (ACV) at 30 June 2021 was \$165,590,000, down 1.7% compared to 30 June 2020. Subscription ACV grew year on year as a result of new business won and the transition from perpetual to consumption licenses. "Other ACV", comprised of both short-term (less than 12 months) and perpetual licenses, and services ACV fell on the year. Negative net upsell also detracted from the ACV outcome. Churn was lower than the previous year.

On a regional basis USA ACV fell year on year, more than offsetting the increase in ACV from EMEA and APAC.

The composition of ACV amongst subscription and other ACV streams is illustrated below:

Annualised Contract Value (ACV)



Definition and basis of preparation

ACV is an adjusted, non-IFRS measure and does not represent Total Revenue in accordance with Australian Accounting Standards Board (AASBs) or Nuix's accounting policies or cash receipts from customers.

ACV is used by Nuix to assess the total contract value of its software contracts on an annualised basis by removing fluctuations from multi-year deals contracts reflected in Nuix's revenue, as a result of statutory revenue recognition requirements.

The calculation of ACV at the end of the relevant financial period adjusts Total Revenue to account for:

A) Revenue generated from Subscription licenses with a term of 12 months or more, as well as Consumption licenses which exist at the end of the relevant financial period as if those contracts' revenues were generated (and recognised) in each financial year on a straight-line basis over the relevant contract period, expressed on an annualised basis; B) last 12-month contribution from short-term Software licenses (including Perpetual licenses) or other Software licenses with a term of less than 12 months, excluding Consumption licenses; and C) the last 12-month contribution of services and third party software sales.

Other ACV reflects the last 12-month contribution of Perpetual license sales, services and third-party software and short-term Software licenses, or licenses with a term of less than 12 months but excluding Consumption licenses.

Operating costs

Operating costs fell year on year, with a significant foreign exchange impact lowering costs, along with lower headcount over the full year in some areas. Cost of Goods Sold was impacted by some favourable third party agreement outcomes, despite continued spend on SaaS instances to support the cloud strategy. Sales and Distribution costs were lower on foreign exchange movements and lower headcount, along with reduced marketing and travel costs due to the pandemic. Research and development expenses rose year on year, due to a lower capitalisation rate. General and Administrative expenses were relatively flat year on year on a pro forma basis.

Total spend on Research and Development for the financial year was \$45,022,000 (2020: \$50,911,00).

Foreign exchange changes accounted for most of the fall in spend. As a proportion of overall revenue, Research and Development spend fell to 25.6% of revenue compared to 28.9% the prior year. The proportion of Research and Development capitalised fell to 76.1% from 83.7% a year earlier.

Net finance costs

Table 4: Net finance costs

	FY21 \$000 STATUTORY	FY21 \$000 PRO FORMA	FY20 \$000 PRO FORMA	VARIANCE PRO FORMA
Net finance expense ⁹	3,407	3,407	1,519	1,888

Net finance expenses have increased \$1,888,000 on both a pro-forma and statutory basis, due to an increase in realised and unrealised foreign exchange losses of \$1,764,000, offset by lower interest costs of \$124,000.

⁹ Net finance expense includes other gains and losses which relate to net realised and unrealised foreign exchange losses.

DIRECTORS' REPORT (CONTINUED)

NuiX's cash flow generation capability

Table 5: Summary cash flow information

	FY21 \$000 STATUTORY	FY20 \$000 STATUTORY	VARIANCE STATUTORY	FY21 \$000 PRO FORMA	FY20 \$000 PRO FORMA	VARIANCE PRO FORMA
EBITDA	30,520	62,681	(32,161)	67,049	55,462	11,587
Add back non-cash items	4,627	5,032	(405)	1,046	5,097	(4,051)
EBITDA ex non-cash items	35,147	67,713	(32,566)	68,095	60,559	7,536
Change in working capital	(24,151) ¹⁰	(8,736)	(15,415)	(24,151)	(6,928)	(17,223)
Cash taxes	(195)	(419)	224	(195)	(419)	224
Operating cash flow	10,801	58,558	(47,757)	43,749	53,212	(9,463)
CAPEX – Property and equipment	(1,051)	(1,355)	304	(1,051)	(1,355)	304
CAPEX – Intangibles	(34,256)	(43,476)	9,220	(34,256)	(43,476)	9,220
Investing cash flow	(35,307)	(44,831)	9,524	(35,307)	(44,831)	9,524
Free cash flow	(24,506)	13,727	(38,233)	8,442	8,381	61
Issued capital	275,661	-	275,661	-	-	-
Capitalised offer costs	(13,132)	-	(13,132)	-	-	-
Cancellation of options	(175,614)	-	(175,614)	-	-	-
Lease payments	(3,739)	(2,812)	(927)	(3,739)	(2,812)	(927)
Transaction costs on loans	-	(151)	151	-	(1,595)	1,595
Loan payments	(25,071)	-	(25,071)	-	-	-
Financing cash flow	58,105	(2,963)	61,068	(3,739)	(4,407)	668
Net cash flows	33,599	10,764	22,835	4,703	3,974	729

Cash flows

The movement in cash during the year included a number of one-off amounts associated with the offer, ASX listing and potential trade sale as well as the associated cash proceeds from share issuance and option cancellation payments.

Operating cash flows continue to be positive on both a statutory and pro forma basis.

Capital management

NuiX listed on the Australian Securities Exchange in December after an oversubscribed IPO which raised \$275,611,000 through the issue of 51,904,161 new shares at \$5.31 each. Proceeds from the IPO have been used to fund option cancellation payments totalling \$175,614,000 during the year.

¹⁰ Change in working capital in FY21 primarily relates to an increase in unbilled revenue of \$19,728,000.

Table 6: Reconciliation of statutory to pro forma

	FY21 \$000	FY20 \$000
Statutory net cash flow	33,599	10,764
Incremental public company costs ¹¹	(2,980)	(7,154)
Corporate actions ¹²	2,637	–
Net finance costs ¹³	–	364
Offer costs ¹⁴	46,423	–
Offer proceeds ¹⁵	(275,661)	–
Cancellation of options ¹⁶	175,614	–
Loan payments	25,071	–
Pro forma net cash flow	4,703	3,974

Nuix's level of debt

Nuix Limited currently has a Facility Agreement with the Commonwealth Bank of Australia ('CBA') which provides funding to the Company through a Cash Advance Facility. Funding under the Cash Advance Facility is made available under two tranches, being Tranche A for AUD \$40 million, and Tranche B for USD \$7.5 million. Accordingly, the available funding under the facilities as denominated in Australian dollars fluctuates from period to period, with \$50,000,000 being available under these facilities as of 30 June 2021 (2020: \$50,943,000). The Company had fully paid all of these facilities as of 30 June 2021 (2020 utilisation: \$25,531,000) and has not drawn down any additional funding since 30 June 2021 (2020: drawdown \$5,697,000 (\$4,000,000 USD)).

For the abundance of caution the Company sought (and CBA agreed to) waivers of potential technical or administrative breaches of the Facility Agreement which may have been subsisting as at 30 June 2021 (including a waiver, until 20 November 2021), of any breaches which may have arisen as a result of the ASIC investigation previously disclosed to the market. This waiver was entered into post the end of the financial year. The Company had fully paid all of those facilities as of 30 June 2021 and has not drawn down any additional funding since 30 June 2021.

The Facility Agreement also provides for a bank guarantee facility and CBA has issued a bank guarantee under that facility in an amount of \$746,460 to support Nuix Limited's obligations under a real property lease. Nuix Limited's obligations in respect of that bank guarantee are contingent only.

Nuix Limited continues to review its various financing options and requirements, which may include restructuring or refinancing its existing facilities, entering into new financing arrangements with a third party and/or cancelling facilities entirely.

11 Reflects incremental public company costs: Nuix's estimate of the incremental annual costs that Nuix will incur as a result of being a listed company. These costs include directors' fees, ASX listing fees, share registry costs, audit and legal fees, directors' and officers' insurance premiums, investor relations costs, annual general meetings costs, annual report costs and other public company costs. The adjustment for FY21 reflects the inclusion of estimated costs on a pro rata basis for five months, being such period before Nuix was a listed company.

12 Removes non-recurring transaction costs arising from corporate actions: specifically the costs of a sale process explored by Nuix as an alternative to the offer in FY21.

13 Removes net finance costs: as the offer proceeds have not been used to pay down existing debt facilities during the period, no adjustment has been made vis-à-vis finance costs.

14 Removes one off offer costs: total transaction fees paid during the period related to the offer were \$45,409,000 of which \$13,132,000 is directly attributable to the issue of new shares by Nuix, and has been recognised as part of financing activities. The remaining \$33,291,000 relates to the sale of shares by the selling shareholders and listing costs which are treated as an operating cash flow. In addition to the costs related to the offer are the costs related with the listing fees of \$1,014,000, which are also included in this pro forma adjustment.

15 Reflects the gross proceeds raised from the issuance of new shares under the offer.

16 Reflects the payment of \$175,614,000 to option holders in respect of existing options that were cancelled on completion of the offer.

DIRECTORS' REPORT (CONTINUED)

2.5 Group financial position

The Group remains committed to maintaining a balance sheet that positions Nuix to achieve its business strategies. Net cash was \$70,865,000 (30 June 2020: \$38,539,000).

Nuix's balance sheet

Table 7: Summary balance sheet

	30 JUN 2021 \$000	30 JUN 2020 \$000
Assets		
Cash and cash equivalents	70,865	38,539
Trade and other receivables	63,767	51,218
Other current assets	6,209	1,897
Property and equipment	2,018	2,412
Intangibles	197,415	197,155
Other non-current assets	9,474	8,986
Deferred tax assets and lease assets	14,261	13,371
Total assets	364,009	313,578
Liabilities		
Trade and other payables	20,325	21,031
Deferred tax and lease liabilities	13,829	20,577
Deferred revenue	45,360	47,791
Provisions	3,420	3,171
Borrowings	-	25,531
Total liabilities	82,934	118,101
Equity		
Issued capital	370,696	104,227
Reserves	(174,322)	5,143
Retained earnings	84,701	86,107
Total equity/net assets	281,075	195,477

Cash and cash equivalents have increased \$32,326,000 primarily as a result of the impact of the IPO. Cash net of borrowings is \$70,865,000. Other current assets have increased \$4,310,000 primarily as a result of the impact of prepaid insurance costs incurred towards the end of the reporting period.

Deferred revenue has decreased compared to the opening balance sheet, primarily as a result of the timing of revenue recognition on a significant agreement which was deferred as of the previous balance date, offset by amounts deferred in the current period.

Issued capital has increased \$266,469,000 as a result of the issuance of new equity totalling \$275,661,000 offset by the portion of offer costs recognised directly in equity of \$13,132,000 (\$9,192,000 net of related tax effect).

Reserves decreased \$179,465,000 as a result of the movement in the foreign currency translation reserve of \$8,478,000 and the impact of cancelling options due to option holders of \$175,040,000, net of the impact of equity settled share-based payment expenses of \$4,053,000. In addition to the equity settled share-based payment expenses recognised against the share-based payment reserve, a further amount of \$574,000 has been recognised in profit and loss associated with the service period share-based payments which were modified from equity settled to cash settled. The movement in the foreign currency translation reserve arises from translating the opening net assets of US based operations using a higher closing foreign exchange rate of 1 AUD to 0.75 USD as at 30 June 2021, compared to 1 AUD to 0.69 USD at 30 June 2020.

2.6 Risk Management

The Group takes a structured approach to identifying, evaluating and managing those risks which have the potential to affect achievement of strategic objectives.

The Group deals with a variety of business risks that could affect our business activities, financial position or operating and financial performance and these are actively assessed and managed as part of the Group's risk management framework.

To support a broad view of risk, and to seek out best practice standards appropriate to the size and risk profile of Nuix, we continue our investment across a range of areas enabling us to grow, support and protect our environment and our customers through:

- Embedding our Risk Management Framework – the formal establishment of the risk function and the appointment of our Head of Risk in 2021 has allowed us to consider, record and report on our risk profile in an aggregated, consistent and structured way.
- Use of independent experts – the Group seeks external input for independent review and benchmarking purposes across our technology and cyber posture, data privacy protections and risk management practices.
- Investing in our people and internal expertise – individuals with expertise and dedicated focus are sought to supplement our resourcing and focus on areas such as data privacy, investor relations, product and engineering.
- Purchase of tools and software to support and protect – just as threats evolve, so too must our suite of tools to prevent and detect threats. We work with a range of trusted third parties and constantly reassess that we have the right mix of people, processes, systems and tools to remain secure.

Details of the Group's major risks and associated mitigation strategies are set out below. The mitigation strategies are designed and continue to evolve to reduce the likelihood of the risk occurring and/or to minimise the adverse consequences of the risk should it happen. However, some risks are affected by factors external to, and beyond the control of, the Group.

Details on Financial Risks can be found in Section 7.1. In relation to Contingencies (Sheehy Litigation, ASIC Investigation and Class Action Risk), detail is provided in section 9.5.

The Group's operations are not significantly impacted by environmental regulations under a law of the Commonwealth or of a state or any other territories of Australia or territory in which it operates, however, in recognition of its importance, climate change risk is addressed separately in the Group's ESG report that is to be included with the Group's annual report.

In addition to addressing climate change, the ESG report will provide further detail on Nuix's approach to Risk Management and the associated Risk Management Framework. Nuix is committed to maintaining high standards of risk management and building a culture that prioritises, values and embeds the Risk Management Framework to address both financial and non-financial risks in order to benefit our employees, customers and shareholders.

DIRECTORS' REPORT (CONTINUED)

Risk Description	Mitigation, Monitoring and Investment strategy
<p>Human Capital and Culture</p> <p>The risk of not being able to meet strategic and growth objectives or customer expectations due to an inability to have sufficient, appropriate and highly engaged staff with clear understanding of roles and responsibilities.</p>	<ul style="list-style-type: none"> • Investing in the future growth of the business by recruiting key individuals that will enable different product lines to be developed; • In a tight candidate market, evolving our employee value proposition and diversifying the sources and locations of finding key staff by partnering with a range of different organisations that can assist us in providing us with talent; • Investing in programs, processes and systems to ensure knowledge and skills are maintained within the company by cross-training and promoting existing employees into new opportunities to enable them to leverage their previous experience; • Deepening our understanding of market remuneration and offering remuneration that is appropriate and competitive to support, motivate and retain our people and ensuring that our benefits packages are comparable in each of the jurisdictions in which we operate; • Running a global wellness program for all staff to opt into participating in, to enable an increased engagement with our people on their wellbeing; and • Enabling all staff to continue to work remotely throughout the COVID-19 pandemic, while providing support through a range of different tools and initiatives such as regular communication, opportunities to connect and remote learning.
<p>Corporate Strategy Alignment</p> <p>The risk of failing to invest sufficiently in evolving a robust corporate strategy that drives growth. The risk that we are not aligned to a common goal so do not prioritise or resource appropriately in support of achieving it.</p>	<ul style="list-style-type: none"> • Creating a mechanism to monitor effectiveness of strategy through related corporate goals and measures; and • Maintaining a network of corporate development market contacts to ensure early awareness of significant market events.
<p>Customer Attraction and Retention</p> <p>The risk of failing to deliver on our customers' expectations in the services, support and product development offered.</p>	<ul style="list-style-type: none"> • Continued innovation in functionality to drive benefits for our customers; • Continuing to build strong and effective relationships with our customers and partners; • On-premise customers: providing quarterly releases for all our products along with minor patch versions; • Providing fortnightly releases for our managed environments; • Providing a training program for customers and partners to ensure they can obtain the best results from Nuix's products and services; • Evolving the mechanisms our customers can use to engage with us throughout the life cycle of our engagement;

Risk Description	Mitigation, Monitoring and Investment strategy
<p>Customer Attraction and Retention <i>(continued)</i></p> <p>The risk of failing to deliver on our customers' expectations in the services, support and product development offered.</p>	<ul style="list-style-type: none"> • Using objective data to pair with anecdotal customer feedback to improve the customer experience; • For customers in certain high-risk jurisdictions, Nuix engages in a heightened review and approvals process. This is done when Nuix is presented with a sales opportunity (direct or indirect) with an end-user in countries that may pose a high risk to Nuix for international sanctions, human rights abuse, IP theft and other corporate social responsibility concerns. Nuix limits the type and terms of the software provided to high-risk countries; and • For all customers, Nuix requires representations to the effect that the customer is legally entitled to enter into the agreement in question, and is not breaching any laws applicable to their entity or business by doing so.
<p>Data Privacy and Protection</p> <p>Failure to adequately safeguard Nuix or customer data resulting in a breach of privileged, confidential or proprietary information.</p>	<ul style="list-style-type: none"> • Layered approach to protecting customer data that includes least privileged access and extensive monitoring and auditing of Nuix's SaaS platform; • ISO 27001: 2013 certified and are working towards ISO 27017 and 27018; • iRAP (Information Security Registered Assessors Program) assessed to host Australian Government data classified as protected; • Australian Prudential Regulation Authority (APRA) CPS234 Cyber Security assessed to host prudential data in progress; • USA Federal Risk and Authorization Management Program (FedRAMP) readiness in-progress; • Twice yearly penetration testing of all SaaS and Corporate IT networks; • Regular red team, blue team threat simulation and remediation; • Implementing a Microsoft 365 data loss prevention (DLP) capability; • Independent review of data privacy framework and controls underway; • Appointment of a Data Privacy Officer with recruiting underway; and • Monitoring of data privacy laws in relevant jurisdictions.
<p>Cyber</p> <p>The risk of external threats, cybersecurity incidents occurring and that measures taken to protect our IT systems may prove inadequate, particularly in the context of our SaaS model.</p>	<ul style="list-style-type: none"> • Investing in highly skilled cyber security and technical employees who focus on identifying and responding to existing and emerging threats; • Employee awareness activities to continually promote cyber security awareness; • Physical and logical separation of environments and duties across Nuix SaaS and Corporate IT;

DIRECTORS' REPORT (CONTINUED)

Risk Description	Mitigation, Monitoring and Investment strategy
<p>Cyber <i>(continued)</i></p> <p>The risk of external threats, cybersecurity incidents occurring and that measures taken to protect our IT systems may prove inadequate, particularly in the context of our SaaS model.</p>	<ul style="list-style-type: none"> • Monitoring of critical systems for signs of performance, intrusion, or interruption; • Digital Forensics Incident Response (DFIR) retainer with reputable third-party consulting group; • Contracted consulting groups as Nuix's Cyber Security advisories and assessors; • 24x7 Security Operation Centre (SOC); and • Investing in market-leading third-party tools to protect and monitor the SaaS and Corporate IT environments.
<p>Product Development</p> <p>Failure to continue to develop our products may result in our products not remaining competitive or being at the forefront of innovation in meeting our customers' needs.</p> <p>Agile delivery of software changes and upgrades may introduce errors or defects. These may remain undetected and compromise the integrity of our products and services, adversely impacting our customers.</p>	<ul style="list-style-type: none"> • Product roadmap to develop applications or provide software solutions that satisfy current and future customer requirements; • Investing in highly skilled engineers and product development employees; • Proactively monitoring market, industry and competitor intelligence to identify strategic opportunities; and • Continued investment in tools to verify the integrity and known vulnerabilities of code prior to release.
<p>Compliance with laws, regulations and certifications</p> <p>There is a risk that we do not comply with the broad range of international laws, regulations, and certification obligations which require continual evaluation to ensure compliance. We seek to uplift our control practices in support of certifications such as FedRAMP.</p>	<ul style="list-style-type: none"> • Policies, supported by staff training, on key legal and regulatory obligations and expected practices; • Dedicated legal function involved in onboarding of all new customers, partners, transactions and contracts assessed against legal and compliance obligations; • Dedicated team supporting responses to customer questionnaires and continual auditing against certification control standards; • Annual Independent certification audits to validate efficacy of processes and controls; • Engaging with external corporate law firms on issues requiring subject matter expertise as required, or otherwise to provide resourcing and compliance support in order to provide legal advice and assistance; • Regular Board of Director meetings to ensure compliance with ASX obligations; and • Extensive policy framework to ensure compliance with ASX obligations.

Risk Description	Mitigation, Monitoring and Investment strategy
<p>Legal</p> <p>The risk that we do not have valid, executed contracts in place, or that we inadvertently breach a contract as we do not understand and track commitments, bespoke arrangements and indemnities provided to customers.</p>	<ul style="list-style-type: none"> • Standardising contractual Terms and Conditions; • Implementation of a Contract Management System continues; • Contractual safeguards (e.g. NDAs) are required prior to any proprietary disclosures; • Engaging with external counsel to develop an IP strategy to ensure the maximum and most efficient mechanisms for legal protection are, and continue to be, pursued with respect to Nuix’s IP rights; • Nuix standard terms limit liability; and • Implementing a benchmark of our standard contract terms and negotiating positions and corresponding insurance coverage/ potential areas of exposure to assess our coverage against industry standards.
<p>Taxation</p> <p>The risk that we are not meeting our tax obligations globally.</p>	<ul style="list-style-type: none"> • Engaging with local professional services firms for tax compliance advice; • Review of returns by International Tax Counsel; • Consultation with a professional services firm on the formulation of a Tax Risk Management Framework;
<p>Financial and Treasury</p> <p>The risk that our financial statements are incorrect, inaccurate, untimely, or not well understood by the market. This includes the risk that our current procedures for revenue recognition are not appropriate due to the level of complexity and judgement required. This may lead to poor quality information for strategic decision making.</p>	<ul style="list-style-type: none"> • Undertaking end-to-end process reviews for financial reporting processes and controls; • Early engagement and consultation with external auditors/ professional firms on significant deals and key accounting policies; • Given the balanced, global nature of operations and foreign-exchange flows, this helps us manage our foreign exchange risks on a net basis; and • Refer to Section 7.1 on how Nuix manages its financial risks (foreign exchange, credit and liquidity risks).
<p>Technology Platform Maintenance and Support</p> <p>The risk that our systems are not fit for purpose or unavailable. Impact to Nuix of critical service outages due to staff not following process and making unauthorised changes to production environments.</p>	<ul style="list-style-type: none"> • Using a third-party vendor for the incident, customer support and change management; and • Nuix SaaS has been architected for high-availability and resilience utilising third-party high-availability infrastructure and S3 for backup.

DIRECTORS' REPORT (CONTINUED)

Risk Description	Mitigation, Monitoring and Investment strategy
<p>Business Resilience</p> <p>The risk that we are not resilient to global economic, pandemic or other incidents and do not have the appropriate processes and procedures in place to effectively maintain our current operational capacity, including timely notification to customers of disruptions.</p>	<ul style="list-style-type: none"> • Monitoring of critical systems for signs of performance, intrusion or interruption; • Proactive communication to engage customer groups through Nuix's IT Service Management platform and SaaS Status Page; and • Business continuity planning continues to be enhanced.
<p>Third Parties</p> <p>The risk of not selecting, maintaining and managing strong relationships with appropriate sales partners and third-party software on which Nuix relies.</p>	<ul style="list-style-type: none"> • Due diligence undertaken which for partners, comprises both an internal and external third-party risk questionnaire, for which responses and a business case are required from both the internal stakeholder and proposed partner. These responses are assessed by the Legal Team prior to the engagement or negotiation of such relationship; • Due diligence undertaken which for third-party software, Nuix engages in a collaborative process using internal stakeholders and external advisers to ascertain the reliability and reputation of the proposed third-party arrangements. Assessments of multiple providers are conducted prior to final selection; • Screening new leads, contacts and opportunities against the US Consolidated Screening List and other international economic sanctions and export screening lists which contributes to increasing our understanding of the manner in which our software is used; • Assessment against Modern Slavery Act requirements; and • A dedicated Partner management team and framework includes a partner portal, training, quarterly business reviews and a Partner Advisory Council.
<p>Governance</p> <p>The risk that we fail to put in place or apply good governance over our processes to support effective management decision making. Also, that we fall short of market expectations around Environmental, Social and Corporate Governance (ESG) practices and behaviours.</p>	<ul style="list-style-type: none"> • A number of policies are in place that support the overall governance of the company; • Strategic, operational and emerging risks and mitigations identified and managed as part of the Risk Management Framework; • Formation of the Nuix Foundation dedicated to enriching communities and organisations it services; and • Closely monitoring business performance metrics.

3. ENVIRONMENTAL REGULATION

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

4. DIVIDENDS PAID OR RECOMMENDED

The payment of dividends by the Company is at the complete discretion of the Directors, and the Directors do not provide any assurance of the future level of dividends paid by the Company.

The ability to pay dividends will depend on a number of factors, many of which are beyond the control of the Company. In determining whether to declare future dividends, the Directors will have regard to Nuix's earnings, cash flows after development costs, overall financial condition and capital requirements, taxation considerations (including the level of franking credits available), the general business environment, and any other factors that the Directors may consider to be relevant.

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

5. EVENTS SINCE THE END OF THE FINANCIAL YEAR

As previously disclosed to the market (most recently on 2 September 2021), ASIC is conducting an investigation in relation to potential contraventions of the Corporations Act concerning Nuix. Nuix understands that ASIC's investigations relevantly concern: 1) the financial statements of Nuix Limited for the period ending 30 June 2018, 30 June 2019 and 30 June 2020; 2) Nuix's prospectus dated 18 November 2020; and 3) Nuix's market disclosure in the period between the period 4 December 2020 to 31 May 2021. Nuix remains confident that it has complied with its accounting and disclosure obligations. Nuix has not received any indication of what (if any) action ASIC may take following the conclusion of any investigation.

As noted in Section 2.4 of this report, for the abundance of caution Nuix has obtained waivers from CBA of potential technical or administrative breaches of the CBA Facility Agreement (which was initially entered into in 2014), including a waiver until 20 November 2021, of any breaches which may have arisen as a result of the ASIC investigation. This waiver was entered into post the end of the financial year. The Company had fully paid all of these facilities as of 30 June 2021 and has not drawn down any additional funding since 30 June 2021. Nuix Limited continues to review its various financing options and requirements, which may include restructuring or refinancing its existing facilities, entering into new financing arrangements with a third party and/or cancelling facilities entirely.

On 13 September 2021, the Group announced that it has entered into an agreement to acquire all the shares in Topos Labs, Inc. (Topos) a developer of Natural Language Processing (NLP) software that helps computer systems better understand text and spoken words at speed and scale. The initial cost of the acquisition is USD \$5 million on financial close, with the potential for a further USD \$20 million comprised of USD \$18.5m cash payable to the sellers of the shares in Topos, and up to USD \$1.5 million in performance rights payable over 30 months.

The performance rights are granted to certain Topos team members who join Nuix and continue to provide services to Nuix during the period between closing and at the time of conversion of the performance rights. The additional cash consideration is only payable, and the performance rights will only convert into ordinary shares, on achievement of revenue, staff retention and product development milestones, each of which relate directly to the further development of the Artificial Intelligence driven NLP platform and its successful integration into the Nuix environment.

DIRECTORS' REPORT (CONTINUED)

6. INFORMATION ON DIRECTORS

The details of the Company's Directors in office at the date of this report are set out below



Jeffrey Bleich

Jeffrey has been a Non-Executive Director of Nuix since 2017 and was appointed as Chairman of the Company in November 2020. Jeffrey lives in Piedmont, California, U.S.A.

Jeffrey has over 30 years' experience in the legal, government, and technology sectors, and most recently served as a Court-Appointed Special Master and Mediator in the United States District Court, before being named the Chief Legal Officer of Cruise LLC, a San Francisco-based autonomous vehicle company. After clerking for the Chief Justice of the United States Supreme Court, Jeffrey practised law as a Partner at Munger, Tolles & Olson LLP from 1992 to 2009 and 2014 to 2016, and as both CEO of Dentons Diplomatic Solutions and a Partner in the Public Policy and Regulatory practice of Dentons international law firm from 2016 to 2019. Jeffrey's practice focused on cyber security, technology, complex international disputes, as well as high profile pro bono matters before the U.S. Supreme Court.

Jeffrey served four years as the U.S. Ambassador to Australia from 2009 to 2013 and as special counsel to President Obama in 2009. He has served as Board Chair of the San Francisco based Pacific Gas & Electric Company, Chair of the Fulbright Foreign Scholarship Board, Chair of the California State University Board of Trustees, President of the State Bar of California, and as a Director of a number of charitable and public policy organisations including the Australian-American Leadership Dialogue, RAND Australia, Stanford University's Centre for Advanced Study in the Behavioural Sciences, Amherst College, the American Security Project, and Futures Without Violence.

Jeffrey holds a Bachelor of Political Science from Amherst College, a Master in Public Policy from Harvard University and Juris Doctor from the University of California Berkeley. He has also received an honorary Doctorate of Laws from San Francisco State University and honorary Doctorates from Griffith University and Flinders University.



Daniel Phillips

Dan has been a Director of Nuix since 2011 and acted as Chairman between 2018 and November 2020 and is currently Chair of the Remuneration and Nomination Committee. Dan lives in Sydney, Australia.

Dan has more than 25 years' experience providing venture capital to high growth companies in Australia, Asia, Europe and the United States. Dan is currently an employee of the Macquarie Group, having joined Macquarie Group in January 1989 and founded Macquarie Group's technology venture capital investment business in 1996.

Dan has served on boards of the ASX listed entities oOh!media Group Ltd and IBA Health. Dan is currently a Director of several companies, including NextPayments Pty Ltd, RedEye Apps Pty Ltd, RecordPoint Software Holdings Pty Ltd, FoodByUs Pty Ltd and Australian Philanthropic Services. Dan also served as a member of the Australian Federal Government's ICT Advisory Board.

Dan is a member of Chartered Accountants Australia and New Zealand.



Rodney Vawdrey

Rod joined Nuix as Chief Operating Officer in July 2015 and was appointed Chief Executive Officer of Nuix in May 2017, and an Executive Director in September 2017. Rod lives in Sydney, Australia.

Rod oversees Nuix's business activities globally which encompasses sales, customer support, training and technical services, engineering and development, product, marketing, finance, IT partners, corporate development and strategy and human resources – with all Senior Leadership Team members reporting directly to Rod.

Rod was previously Corporate Executive Vice President and President of Fujitsu Limited between 2011 and 2014, and from 2003 to 2011 was Chief Executive Officer of Fujitsu ANZ.

Rod is currently a Director of Qualitas Services who provide consulting services. Rod is also a member of the Australian Institute of Company Directors.



Sir Iain Lobban

Iain has been an adviser to the Board since October 2018 and was appointed as a Non-Executive Director of the Company in November 2020. Iain lives in the United Kingdom.

Iain has over 30 years' experience in the security and intelligence sector, including having served as the Director of the British Intelligence Agency GCHQ from 2008 to 2014. Iain was one of the five experts appointed by Australia's Prime Minister to create Australia's first National Cyber Security Strategy in 2015. He was subsequently one of the senior three-person team appointed by the Prime Minister to conduct the 2017 Independent Review of the Australian Intelligence Community.

Iain is currently a Director of Prevalent AI, a company specialising in security data science software and solutions, of C5 Holdings, an investment company specialising in cyber security, data analytics and cloud, and of Enveil, a pioneering Privacy Enhancing Technology company. His advisory work for boards spans cyber security risk management and financial crime compliance.

Iain holds a Bachelor of Arts in French with German from the University of Leeds. Iain is a Visiting Professor of King's College London and an Honorary Fellow of the Judge Business School at the University of Cambridge. Iain was appointed a Companion of the Bath in 2006 and Knight Commander of St Michael and St George in 2013.



Susan Thomas

Sue has been a Non-Executive Director of the Company since November 2020, and is Chair of the Audit and Risk Management Committee.

Sue has over 30 years' experience in the financial services and information technology sectors, having founded and acted as Managing Director of FlexiPlan Australia Limited, which was subsequently sold to MLC/NAB. Sue lives in Perth, Australia.

Sue is currently a Director of ASX listed companies Temple and Webster Group Limited and Fitzroy River Corporation Limited, and a former Director of ASX listed Alexium International Group Limited. Sue was formerly a Director of BT Funds Board, Property Exchange Australia Limited and Grant Thornton Australia Limited.

Sue holds a Bachelor of Law and Bachelor of Commerce from the University of New South Wales and has received a diploma from the Australian Institute of Company Directors.

DIRECTORS' REPORT (CONTINUED)

7. DIRECTORS' INTERESTS IN SECURITIES

At the date of this report, the Directors had the following relevant interests in the securities of the Company:

NAME	ORDINARY SHARES	OPTIONS
Jeffrey Bleich	35,000	240,000
Daniel Phillips	Nil	Nil
Rod Vawdrey	1,680,509	169,891
Sir Iain Lobban	Nil	250,000
Susan Thomas	18,833	Nil

8. MEETINGS OF DIRECTORS

The numbers of meetings of the Company's Board of Directors held during the fiscal year ended 30 June 2021, and the numbers of meetings attended by each director were:

	FULL BOARD		REMUNERATION AND NOMINATIONS COMMITTEE		AUDIT AND RISK MANAGEMENT COMMITTEE	
	HELD ¹⁷	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
Jeffrey Bleich	15	15	2	1		
Iain Lobban	8	7			4	4
Sue Thomas	8	8	2	2	4	4
Dan Phillips	15	15	2	2	7	7
Rod Vawdrey	15	15				
David Standen	8	8				
Roy Grady	8	8				
Mark de Ambrosis	8	8			3	3
Anthony Castagna	8	7				

9. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Directors and Officers of Nuix are indemnified against liabilities pursuant to agreements with the Company. The Company insure the Directors and Officers 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 Directors and Officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by them 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.

¹⁷ Number of meetings held during the time the director held office or was a member of the committee during the year.

During FY2021, the Company paid a premium under a contract insuring each of certain Directors and Officers of the Group against liability incurred in that capacity. Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance.

10. INDEMNIFYING OF AUDITORS

Nuix has agreed to indemnify its auditors, PricewaterhouseCoopers, to the extent permitted by law, against any claim by a third party arising from Nuix's breach of their agreement. The indemnity stipulates that Nuix will meet the full amount of any such liabilities including a reasonable amount of legal costs.

11. AUDITOR

PricewaterhouseCoopers continues in office in accordance with section 327B of the *Corporations Act 2001*.

12. AUDIT AND NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers Australia) for audit and non-audit services during the year are disclosed in Note 9.3.

The Company may decide to employ the auditor on assignments additional to its statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

The Board of Directors, in accordance with advice provided by the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

13. ROUNDING OF AMOUNTS

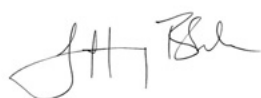
Nuix is a company of the kind referred to in Australian Securities Investments Commission's ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. In accordance with that Instrument, all financial information presented has been rounded to the nearest thousand dollars, unless otherwise stated.

14. AUDITOR'S INDEPENDENCE DECLARATION

The Directors have received the Lead Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*. The Lead Auditor's Independence Declaration is set out on page 62 and forms part of the Directors' Report for the year ended 30 June 2021.

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

SIGNED



Jeffrey Bleich

Chairman

Sydney, Australia
30 September 2021

AUDITOR'S INDEPENDENCE DECLARATION

Nux Limited and Controlled Entities



Auditor's Independence Declaration

As lead auditor for the audit of Nux Limited for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'S. Walsh', is written above the printed name.

Scott Walsh
Partner
PricewaterhouseCoopers

Sydney
30 September 2021

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REMUNERATION REPORT

Dear Shareholders

On behalf of the Board, I am pleased to present the Remuneration Report for Nuix Limited (Nuix or the Group) for the year ended 30 June 2021 (FY21), our inaugural Report as a listed Group.

FY21 – A YEAR IN OVERVIEW

A landmark year for Nuix

FY21 was a significant year in Nuix's history with the Group listing on the Australian Securities Exchange on 4 December 2020. This was a remarkable achievement for our Group and our people.

Resilience in a challenging environment

As the world continued to evolve, the behaviours of our customers and their preferences evolved. We have seen a larger than expected number of existing customers make the transition from module-based subscription licenses to consumption and SaaS model licenses, which has had an impact on both revenue and Annualised Contract Value (ACV) profiles.

While the transition to consumption licenses, including SaaS deployments, has had a near-term negative impact on statutory revenue generation, it does not diminish Nuix's longer-term growth prospects which remain strong, with increases in new customers and retention of existing customers. In particular, Nuix has added 100 new customers in this financial year and the total order value and average order value from these new customers was higher than the prior year.

As a result, Nuix delivered a revenue result below what was indicated in our IPO prospectus but an EBITDA above what was forecast.

Our people

At Nuix, we know that our people and our technology are our greatest assets, and the Group is on a journey of renewing its key leaders to manage the business on the next phase of its journey.

The Board was pleased to announce the appointment of Chad Barton during FY21 as the Group's Interim Chief Financial Officer (CFO) (while a global search is undertaken for a permanent CFO following the departure of Stephen Doyle in late June). Mr Barton is a highly regarded executive with significant experience in managing large complex finance operations across a range of industries.

As previously disclosed, Nuix's Chief Executive Officer (CEO) and Executive Director Rod Vawdrey gave notice in June 2021 of his decision to retire from the Group. Rod will continue in his role while an international search is conducted for a new CEO to lead Nuix on the next phase of its journey.

For all of FY21, the majority of our staff have worked from home and we have maintained our strong focus on the wellbeing of our people. We are proud of the ways in which our staff have remained connected and continued to collaborate to deliver on behalf of Nuix, and the resilience, ingenuity and responsiveness of our staff, is a testament to the quality of our team. Despite the challenges presented by the pandemic, we have managed to continue to sign new customers, maintain a high level of delivery and support to all of our customers, and continue to evolve our product.

REMUNERATION REPORT (CONTINUED)

EXECUTIVE REMUNERATION AT NUIX

An overview of our post-listing framework for our Executive Key Management Personnel (KMP) is outlined in section 3. There have been no changes made to the executive remuneration framework that was put in place as part of the IPO in December 2020.

At Nuix, our remuneration framework is designed to ensure that our Executives maintain a deliberate and continued focus on delivering strong financial performance and creating value for our shareholders, as well as encouraging long-term sustainable decision-making in the interests of all of our shareholders, customers and other key stakeholders

In particular, the remuneration packages are heavily weighted to the performance-tested long-term incentive (LTI) (representing almost half of Executive KMP's target pay mix). The LTI is also delivered in options, which have an "in-built" share price condition in the form of an exercise price. That is, the Nuix LTI awards will only deliver value to Executive KMP where the share price increases, as the market price at the time of exercise will need to exceed the exercise price (in addition to performance hurdles being met).

LINKING FY21 REMUNERATION OUTCOMES TO PERFORMANCE

At Nuix, we are focused on ensuring our remuneration arrangements and outcomes for our Executive KMP are closely aligned with our performance and the experience of our shareholders, and also meet the expectations of our stakeholders.

While our FY21 performance outcomes were solid and our Executive KMP worked hard to deliver the listing of Nuix, we do acknowledge the experience of our shareholders and that we did not achieve our forecast revenue. This has been reflected in executive remuneration outcomes for FY21.

Although STI and LTIs were paid to the CEO and former CFO for the period up until the listing of Nuix, for the period following the listing of Nuix:

- the Board exercised its discretion to reduce STI awards to nil for the CEO and the outgoing CFO, despite partial vesting against the EBITDA component (30%). There was no vesting against the revenue component (70%); and
- there were no LTI awards eligible to be tested and vest this year.

Refer section 4 for further detail on remuneration outcomes for FY21.

CONCLUSION

The Board will continue to monitor Nuix's executive remuneration framework to ensure that it provides the right balance between attracting, motivating and retaining our executives to deliver on our strategy for our shareholders and our customers, while meeting the expectations of the Group's external stakeholders.

I invite you to read Nuix's Remuneration Report and welcome your feedback on our remuneration practices and disclosures.



Daniel Phillips

Chair of Remuneration and Nomination Committee

1. WHO IS COVERED BY THIS REPORT?

This Report outlines the remuneration arrangements in place for KMP of the Group in FY21, which comprise all Non-Executive Directors and senior executives who have authority and responsibility for planning, directing and controlling the activities of the Group. The FY21 KMP are set out in the table below.

As noted above, Nuix's CEO and Executive Director Rod Vawdrey gave notice of his decision to retire from the Group on 15 June 2021 and will continue in his role while an international search is conducted for a new CEO.

Mr. Doyle ceased as Executive KMP on 21 June 2021 and Chad Barton was appointed as Interim CFO (effective from that date). While Mr. Doyle retained no operational duties, he was available to assist with the orderly handover of his responsibilities before concluding his employment with the Group on 30 June 2021. Further detail in respect of the treatment of Mr. Doyle's incentive arrangement is outlined in Section 4.6 below.

Table 1: Overview of FY21 KMP

KMP	CURRENT POSITION	TERM AS KMP
Executive KMP		
Rod Vawdrey	Group CEO and Executive Director	Full year (i.e. from 1 July 2020)
Stephen Doyle (former)	Former CFO	Ceased as KMP on 21 June 2021
Chad Barton	Interim CFO	Effective on 21 June 2021
Jonathan Rees	Executive Vice President, International	Effective on 15 June 2021
Ethan Treese	Executive Vice President, Americas	Effective on 15 June 2021
Non-Executive Directors		
Jeffrey Bleich	Independent Chairman	Full year (i.e. from 1 July 2020) ¹⁸
Sir Iain Lobban	Independent Non-executive Director	Partial year from 18 November 2020
Daniel Phillips	Non-executive Director	Full year (i.e. from 1 July 2020)
Sue Thomas	Independent Non-executive Director	Partial year from 18 November 2020
Anthony Castagna (former)	Former Non-executive Director	Ceased as KMP on 18 November 2020
Roy Grady (former)	Former Independent Non-executive Director	Ceased as KMP on 18 November 2020
David Standen (former)	Former Non-executive Director	Ceased as KMP on 18 November 2020
Mark De Ambrosis (former)	Former Non-executive Director	Ceased as KMP on 18 November 2020

¹⁸ Mr Bleich was an Independent Non-executive Director of the Company from 1 July 2020 and was appointed as Chairman of the Board on 18 November 2020.

REMUNERATION REPORT (CONTINUED)

2. OUR VALUE PROPOSITION

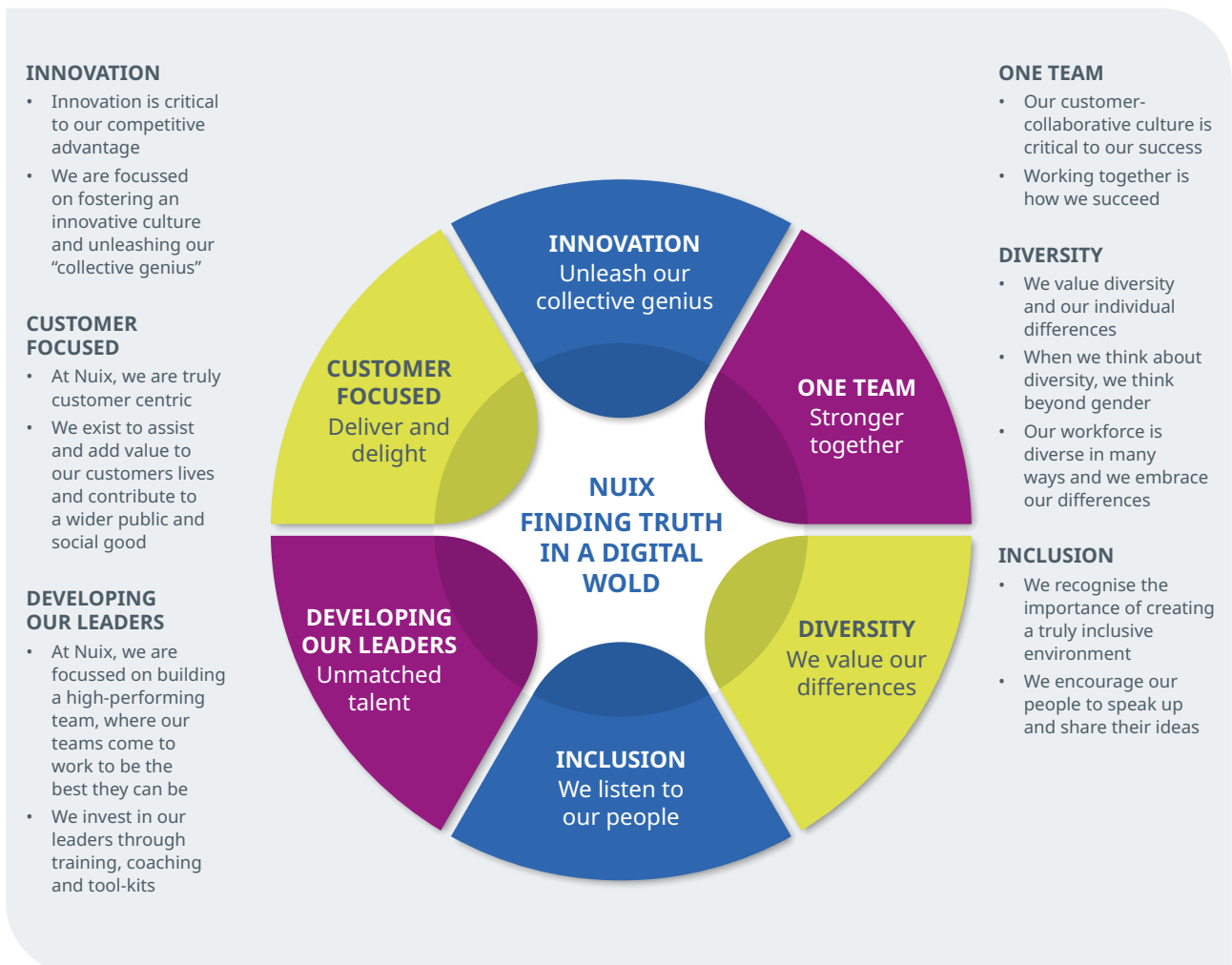
At Nuix, we strive to foster a customer-collaborative and innovative culture, and a talented team of employees who are motivated to build software with a purpose and assist our customers to contribute to a wider public and social good.

We recognise that remuneration is only one of a number of reasons why our people come to work for us every day and our broader value proposition (beyond remuneration) is key to our ability to attract, retain and motivate world class talent to deliver on our vision of “finding truth in a digital world”.

We value our people and seek to provide a supportive and inclusive workplace that delivers high employee engagement and satisfaction, and encourages everyone to be the best they can be. We have a high-performing culture (which is founded on trust) to support our future aspirations.

It is our fundamental belief that the behaviour and performance of all employees should be aligned with our values (see section 3 below) and expectations to drive business performance and meet the expectations of our stakeholders and the community.

Diagram 1. Our value proposition



3. FY21 – EXECUTIVE KMP REMUNERATION AT A GLANCE

At Nuix our executive remuneration framework is set in line with our key remuneration principles which are designed to encourage behaviour aligned with our core values and support our strategic priorities in the interests of our shareholders.

OUR VALUES

Aligning with our core values and expected behaviours



INTEGRITY

Authentic and Accountable



INNOVATION

Unleash collective genius



TEAMWORK

Stronger together



CUSTOMERS

Focus, Deliver, Delight



PEOPLE

Respect, Encourage, Reward



PASSION

Committed to the mission

STRATEGIC PRIORITIES

Our vision of finding truth in the digital world



WIN NEW CUSTOMERS

Expand market share and win new customers



LAND AND EXPAND

Expand across key industry verticals



INVEST TO EXTEND THE PLATFORM

Create new products



OPERATING EFFICIENCY

Extract benefits of scale



PARTNER CONSIDERATION

Build a network of strategic partners



VALUE ACCRETIVE M&A

Creating synergy

REMUNERATION PRINCIPLES

Supporting our business objectives



SIMPLICITY

Simple and easy to understand



ACTING LIKE OWNERS

Shareholder and customer alignment



STRATEGY LED

Rewarding for delivery on our strategic priorities



PERFORM & INNOVATE

Encouraging the best from our people



RIGHT BEHAVIOURS

Encouraging behaviours aligned with our values

REMUNERATION REPORT (CONTINUED)

OUR FRAMEWORK

Our remuneration framework aligns with our values and strategy

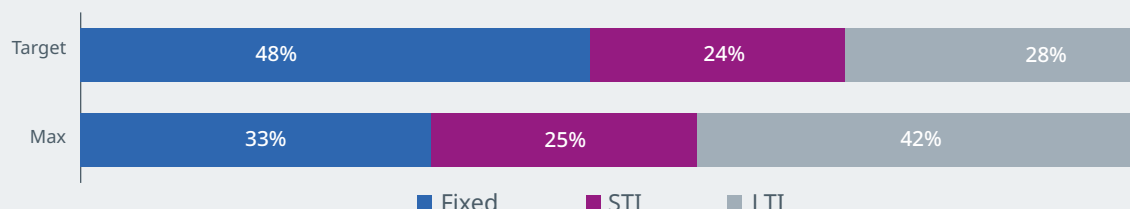
TOTAL FIXED REMUNERATION (TFR)	SHORT-TERM INCENTIVE (STI) ¹	LONG-TERM INCENTIVE (LTI)
<ul style="list-style-type: none"> Base salary and superannuation (or other equivalent pension arrangements) TFR is reviewed annually having regard to the individual's role, responsibilities, skills, experience and performance, as well as fixed remuneration levels offered to comparable roles within companies with which the Company competes for talent 	<ul style="list-style-type: none"> Performance period of 1 year Assessed against revenue (70%) and EBITDA (30%), being the key metrics used by the market to assess the Company's performance post IPO Delivered in cash (2/3) and share rights (1/3) deferred for 12 months. STI deferral, in the form of share rights, creates further alignment with shareholder interests and acts as a retention instrument As part of its overarching discretion, the Board has the ability to make downward adjustments for any behaviour that is inconsistent with the Company's culture and values (as well as any risk, regulatory or reputational issues) STI provides motivation for the achievement of annual performance goals 	<ul style="list-style-type: none"> Delivered in options Performance tested against revenue (50%) and EBITDA (50%) after 3 years. The FY21 LTI is tested at the end of 30 June 2023 given the IPO occurred part way through FY21 Options become progressively exercisable (at the end of the 3 year performance period) in thirds (being at vesting and after a further 1 and 2 years) LTI drives the delivery of Nuix's longer term objectives in a sustainable manner Options have an in-built incentive to increase the share price, better aligning the executives to the shareholder experience and encouraging long-term value creation

¹ The Executive Vice President, International and Executive Vice President, Americas are assessed against their respective portfolios and not Company wide and their STI is delivered in cash.

KMP PAY MIX

Pay mix for performance

- The pay mix for the CEO and former CFO at target and maximum is outlined below. The pay mix is heavily weighted towards the LTI to encourage a focus on long-term sustainable decision making in the interests of Nuix's shareholders and other stakeholders.



- The Group's Interim CFO was not eligible for an STI or LTI for FY21 due to the interim nature of his employment contract.
- The Executive Vice President, International and Executive Vice President, Americas were determined to be KMP towards the end of the financial year on 15 June 2021 and their remuneration arrangements are consistent with other senior non-KMP staff, split between fixed annual remuneration, STI and LTI.

4. FY21 EXECUTIVE REMUNERATION OUTCOMES – IN DETAIL

4.1 Overview of Group performance

As noted above, it is important to Nuix that the remuneration outcomes for our Executive KMP align with the Group's performance. An overview of Nuix's FY21 performance is set out in table 2 below.

Statutory revenue rose to \$176,068,000 up 0.1% on a functional currency basis, and 7.4% on a constant currency basis. New business contributed \$27,638,000 to revenue, with subscription-based revenue rising to 93% of the total revenue.

Nuix contracted 100 (2020: 103) new customers over the course of the year. Average new order value rose to \$240,000 (2020: \$145,000), driven by higher value wins through a focus on enterprise sales. Customers displayed a continued willingness to enter into multi-year deals, with these contracts rising to 36.3% (2020: 25.4%) of revenue for the full year.

In North America, corporate and law firms were areas of strength, with 27 new customers signed. Our US Government (USG) team secured several significant contract wins with governmental agencies in the latter part of the year, building momentum into FY22.

Our EMEA business achieved important new customers wins during the year, with demand from Corporates particularly strong. In Germany we signed 27 new SaaS customers in the first year, and employees have been onboarded for our Southern European expansion.

Growth in Asia Pacific was driven by key logo wins across a range of industries and included a break-through corporate deal in Japan. In Australia, Discover SaaS data under management tripled.

As flagged during the second half, trading conditions affected upsell opportunities, particularly in the United States. In addition, the trend towards consumption-based licences impacted the timing of revenue recognition. Although this transition weighs on customer upsell in the short-term, the shift to consumption licences, including SaaS, allows Nuix to benefit more fully from growth in data volumes over time.

Annualised Contract Value (ACV) at 30 June 2021 was \$165,590,000, down 1.7% compared to 30 June 2020. Subscription ACV grew year on year as a result of new business won and the transition from perpetual to consumption licenses. "Other ACV", comprised of both short-term (less than 12 months) and perpetual licenses, and services ACV fell on the year. Churn was lower than the previous year.

On a regional basis USA ACV fell year on year, more than offsetting the increase in ACV from EMEA and APAC.

Table 2. FY21 Group performance

A\$M (UNLESS OTHERWISE STATED)	FY21
Annualised contract value (ACV)	165.6
Revenue	176.1
EBITDA	30.5
Net profit/(loss) after tax (NPAT)	(1.4)

4.2 Total fixed remuneration (TFR)

Table 3 below sets out the annualised TFR payable to the Executive KMP in FY21 based on their contractual values. Executive KMP TFR levels were set as part of the IPO process having regard to benchmarking data in respect of companies of a comparable size to Nuix's expected market capitalisation (as well as peers in the technology sector).

REMUNERATION REPORT (CONTINUED)

Table 3. Executive KMP fixed remuneration levels

EXECUTIVE KMP	TOTAL FIXED REMUNERATION (ANNUALISED) \$
Rod Vawdrey	721,694
Stephen Doyle (former CFO)	455,000
Chad Barton ¹⁹	801,694
Jonathan Rees	478,400
Ethan Treese	438,900

4.3 FY21 short-term incentive outcomes

A. Overview

As noted above, Executive KMP participate in an STI program. The maximum STI awards that Executive KMP were eligible to receive in respect of FY21 are set out in Table 4 below. The Interim CFO was not eligible for an STI award in FY21 due to the interim nature of the employment contract. The Executive Vice President, International and Executive Vice President, Americas were not KMP for the full year, and their STI was calculated under the staff remuneration policy, with the portion related to service during the time they were KMP during FY21 presented in the table below.

As outlined in Table 4 below, for the period from 4 December 2020 to 30 June 2021, post Nuix's listing, the Board exercised its discretion to reduce STI outcomes to nil for the CEO and outgoing CFO for FY21, despite partial vesting against the EBITDA component being achieved. Revenue threshold levels of performance were not met.

Table 4. Executive KMP STI outcomes

EXECUTIVE KMP	STI OUTCOMES (FY21)				
	MAXIMUM STI OPPORTUNITY (\$)	MAXIMUM STI OPPORTUNITY (% TFR)	VALUE OF STI AWARDED	% OF FY21 STI AWARDED	% OF FY21 STI AWARD FORFEITED
Rod Vawdrey	541,271	75%	156,089 ²⁰	29%	71%
Stephen Doyle (former CFO)	341,250	75%	74,700 ²⁰	22%	78%
Chad Barton	N/A	N/A	N/A	N/A	N/A
Jonathan Rees ²¹	12,855	65%	13,797	107%	0%
Ethan Treese ²¹	12,024	67%	9,836	82%	18%

B. FY21 STI – assessment of performance measures






An overview of performance against the FY21 STI measures is set out below.

19 The fixed annual remuneration for the Interim CFO reflects that the Interim CFO is not eligible for STI or LTI due to the fixed term nature of the employment arrangement and includes superannuation.

20 These payments related to the period from 1 July 2020 to 3 December 2020, prior to the listing of Nuix.

21 The award represents the period that the Executive Vice President, International and Executive Vice President, Americas were KMP. The Executive Vice President, International and the Executive Vice President, Americas were determined to have become KMPs from 15 June 2021, and their remuneration packages have not been changed as a result of this assessment. For these individuals, rather than Maximum STI, the above table represents On Target Earnings (OTE).

Table 5. Performance against FY21 STI performance measures

STI PERFORMANCE MEASURES			
MEASURE	WEIGHTING	OUTCOMES	EXPLANATION
Revenue	70%		Nuix achieved 91% of revenue target in FY21.
EBITDA	30%		Nuix achieved 105% of EBITDA target in FY21.
Key	 Below threshold  Between threshold and target  Above target		

C. FY21 STI terms – further detail

Key terms and conditions applying to the STI arrangements for the Executive KMP during FY21 is set out below.

Table 6. Description of key terms of FY21 Executive KMP STI

SHORT-TERM INCENTIVE – KEY TERMS ²²		
Term	Further detail – CEO and former CFO	Further detail – Executive Vice President, International and Executive Vice President, Americas
Performance period	STI awards are assessed over the 12-month financial year. Any STI award payments are made after performance is tested at the end of the performance period.	
Instrument	Once the total dollar value of the STI earned by a KMP is determined, 2/3 will be awarded in cash, the remaining 1/3 will be delivered in share rights to support alignment between Executive KMP and Nuix's shareholders. Each share right will vest into one share after 12 months. The number of share rights granted will be calculated by dividing the dollar value attributable to those share rights by the closing Share price on the trading day immediately before the date of the grant.	Once the total dollar value of the STI earned by a KMP is determined, the STI will be awarded in cash as their STI was calculated and awarded under the staff remuneration policy.
Performance Measures	The STI is assessed against two performance measures being: <ul style="list-style-type: none"> Group-wide revenue (70% weighting) Group-wide EBITDA (30% weighting). It is considered that these two metrics reflect the key financial drivers of value in the business. As part of its overarching discretion, the Board also retains discretion to adjust STI outcomes for behaviour that is inconsistent with the Group's values and culture (as well as any risk, regulatory or reputational issues).	The STI is assessed against two performance measures being: <ul style="list-style-type: none"> Relevant region revenue (70% weighting) Relevant region contribution margin (30% weighting). It is considered that these two metrics reflect the key financial drivers of value in the business. As part of its overarching discretion, the Board also retains discretion to adjust STI outcomes for behaviour that is inconsistent with the Group's values and culture (as well as any risk, regulatory or reputational issues).
Treatment on cessation of employment	Where an Executive KMP ceases employment prior to the end of the performance period, the default position is that the executive would not be eligible for an STI award for that financial year (unless the Board determines otherwise).	
Change of control	Where there is a change of control event (for example, a takeover bid, scheme of arrangement, merger or any other transaction or event that in the Board's opinion is a change of control event), the Board has discretion in respect of the treatment of the STI (subject to the ASX Listing Rules).	

22 The Interim CFO was not eligible for an STI award in FY21 due to the interim nature of the employment contract.

REMUNERATION REPORT (CONTINUED)

4.4 FY21 long-term incentive awards – granted

A. Overview

As noted above, Executive KMP are eligible to participate in the LTI program. Table 7 below outlines the notional value of LTI awards granted to Executive KMP during FY21. These LTI awards were outlined in the prospectus and granted as part of the IPO process. The number of options granted was calculated by reference to the Issue Price for the IPO of \$5.31. The maximum LTI opportunity levels as a percentage of TFR reflect the heavy weighting of Executive KMP packages towards the LTI. The Interim CFO was not eligible for an LTI award in FY21 due to the fixed term nature of the employment arrangement.

Table 7. FY21 LTI awards to Executive KMP

EXECUTIVE KMP	MAXIMUM LTI OPPORTUNITY (\$)	MAXIMUM LTI OPPORTUNITY (% OF TFR)
Rodney Vawdrey	902,118	125%
Stephen Doyle (former CFO)	568,750	125%
Chad Barton	N/A	N/A
Jonathan Rees ²³	234,490	N/A
Ethan Treese ²³	229,169	N/A

B. FY21 LTI key terms – further detail

Table 8 below outlines the key terms attaching to the LTI awards granted to Executive KMP during FY21.

Table 8. Key terms of FY21 LTI awards granted to Executive KMP

LONG-TERM INCENTIVE – KEY TERMS	
Further detail	
Entitlement	Subject to the satisfaction of the performance conditions and payment of the exercise price, each LTI option entitles the holder to one fully paid ordinary share in Nuix Limited (or a cash equivalent payment at the discretion of the Board).
Allocation methodology	The number of LTI options to be granted is calculated by dividing the participant's dollar value LTI opportunity for FY21 (as outlined in table 7 above) by the market value of the underlying share. The exercise price is not taken into account in determining the number of Options granted (e.g. the number of Options is not increased to recognise that the Participant is required to pay an exercise price to exercise the Options). For example, the CEO received 169,891 Options which were calculated as the LTI opportunity of \$902,118 divided by the IPO offer price of \$5.31. The participant is required to pay an exercise price of \$5.31 to exercise any Option.
Exercise price	The exercise price in respect of the FY21 LTI options is equal to the IPO offer price as per Nuix's prospectus, being \$5.31 per option.

²³ The Executive Vice President, International and the Executive Vice President, Americas were determined to have become KMPs from 15 June 2021, and their remuneration packages have not been changed as a result of this assessment. Rather than Maximum LTI, for these individuals the table represents a fixed amount.

LONG-TERM INCENTIVE – KEY TERMS

Further detail

Expiry date	The FY21 LTI options will expire on 7 years from grant date, unless they have otherwise lapsed before that date (e.g. if performance conditions are not met).														
Performance conditions and vesting schedule	<p>The FY21 LTI options are subject to performance testing against the following performance conditions:</p> <ul style="list-style-type: none"> • revenue (50%); and • EBITDA (50%). <p>The revenue and EBITDA targets are assessed at the end of FY23. If the targets are met, one-third of the vested LTI Options will be available to be exercised upon the release of the Company's financial results for each of FY23, FY24 and FY25.</p> <p>The vesting schedule in respect of the revenue and EBITDA measures is outlined below. Specific targets will not be disclosed until the end of FY23 due to commercial sensitivity.</p> <table border="1"> <thead> <tr> <th></th> <th>LEVEL OF VESTING</th> <th>REVENUE</th> <th>EBITDA</th> </tr> </thead> <tbody> <tr> <td>Threshold</td> <td>66.6%</td> <td>To be disclosed at the end of FY23</td> <td>To be disclosed at the end of FY23</td> </tr> <tr> <td>Maximum</td> <td>100%</td> <td>To be disclosed at the end of FY23</td> <td>To be disclosed at the end of FY23</td> </tr> </tbody> </table>				LEVEL OF VESTING	REVENUE	EBITDA	Threshold	66.6%	To be disclosed at the end of FY23	To be disclosed at the end of FY23	Maximum	100%	To be disclosed at the end of FY23	To be disclosed at the end of FY23
	LEVEL OF VESTING	REVENUE	EBITDA												
Threshold	66.6%	To be disclosed at the end of FY23	To be disclosed at the end of FY23												
Maximum	100%	To be disclosed at the end of FY23	To be disclosed at the end of FY23												
Treatment on cessation of employment	<p>Where an Executive KMP ceases employment prior to the expiry date noted above:</p> <ul style="list-style-type: none"> • for cause or resignation, the default position is that any unvested or vested and unexercised LTI options will lapse (unless the Board determines otherwise); and • in all other circumstances, the LTI options will remain on foot (unless the Board exercises its discretion to treat them as lapsed). <p>Any vested options that are retained upon cessation of employment will need to be exercised by the Executive KMP within 90 days of cessation of employment or such longer period as the Board may determine.</p> <p>Refer section 4.6 for further detail regarding the treatment of the former CFO's LTI options.</p>														
Forfeiture and clawback	Under the post-IPO framework, forfeiture and claw-back provisions apply to the LTI options in a range of circumstances including (but not limited to) where (1) a participant has acted fraudulently or dishonestly, or breached his duties or obligations to the Group; (2) has done an act which brings the Group into disrepute; or (3) there has been a material misstatement or omission in the Group's financial statements or a circumstances which will require the financial statements of the Group to be restated.														
Change of control	Where there is a change of control event (for example, a takeover bid, scheme of arrangement, merger or any other transaction or event that in the Board's opinion is a change of control event), the Board has discretion in respect of the treatment of the awards (subject to the ASX Listing Rules).														

REMUNERATION REPORT (CONTINUED)

4.5 Legacy option awards

The CEO and former CFO both had additional options on foot prior to IPO. These Options were granted and vested while the Group was unlisted and were fully disclosed in the Prospectus. The Options were cancelled and a cash payment made to the CEO and former CFO in respect of the cancellation at the time of IPO.

The CEO and former CFO chose to invest a significant portion of the post-tax value of this cash payment into Nuix shares (i.e. \$8,392,503 and \$4,430,505 respectively). The resulting Nuix shares were subject to an escrow arrangement under which the Executive KMP were restricted from dealing with those Nuix shares until the release of the Group's FY21 financial results to the ASX.

Further detail in respect of those legacy awards and the terms of the cancelled options, are outlined in section 6.4.2.7 and 6.4.6 of Nuix's prospectus.

The Executive Vice President, International and Executive Vice President, Americas also both had additional options on foot prior to IPO. The Board resolved to accelerate vesting for half of the remaining unvested portion of options historically granted to ExCo members, and cancel all vested options at the time of the IPO. This acceleration of vesting and cancellation for half of the vested options held by ExCo members, included options held by both the Executive Vice President, International and Executive Vice President, Americas. These transactions occurred prior to these individuals being determined to be KMPs.

Table 9. Key terms of historical awards granted to ExCo members including Executive Vice President, International and Executive Vice President, Americas.

Term	Description
Exercise Price	The exercise price is between \$2.00 – \$3.00 per option
Rights	Each option entitles the holder to one Share on exercise of the option.
Vesting	Options remained unvested on Completion of the IPO. The options vest proportionately on a monthly linear basis over 60 months from the date of the grant. Only vested options are exercisable.
Expiry	An option will lapse on the earlier of: <ul style="list-style-type: none"> the expiry date of the original option, which may be between 28 August 2024 to 10 September 2028 90 days (or such longer period determined by the Board) from the date of written notice of an "insolvency Event", which includes pursuant to an application made to the Court, the Court orders a meeting to be held in relation to a proposed compromise or arrangement for the purpose of or in connection with, a scheme for the reconstruction of the Company of its amalgamation with any other company, or a voluntary or compulsory winding-up; the date the optionholder is terminated for committing any act of fraud, defalcation or gross misconduct in relation to the affairs of Nuix or any related body corporate of Nuix (whether or not charged with an offense) or doing any act which in the reasonable opinion of the Board brings Nuix or any related body corporate of Nuix into disrepute; depending on the optionholder, 180 days following the date that the optionholder's employment ceases for death or, in the Board's opinion a permanent disablement preventing them from continuing as an employee of Nuix; and

Term	Description
Expiry <i>(cont)</i>	<ul style="list-style-type: none"> depending on the optionholder, either on the date the optionholder ceases to be employed by Nuix or 30 days following the date that the optionholder ceases to be employed by Nuix for any reason other than as a result of death or, in the Board's opinion, a permanent disablement preventing them from continuing as an employee of Nuix.
Change in circumstances	<ul style="list-style-type: none"> Capital reorganisations: For certain optionholders, options are not entitled to participate in any new issue of shares as a result of a capital reorganisation of Nuix unless they are exercised prior to the record date of any capital reorganisation. The terms of the options shall be proportionately reorganised in accordance with the relevant reorganisation plan. Bonus issues: If Nuix makes a bonus issue of shares (including on a pro rata basis) to existing shareholders for no consideration, then the number of shares over which an option is exercisable shall be increased by the number of shares which the optionholder would have received if the optionholder had exercised the option prior to the record date for the bonus issue.
Change in structure or control	<p>In the event of a Corporate Transactions (defined below), the Board may take one or more of the following actions in respect of the options:</p> <ul style="list-style-type: none"> arrange for the surviving or acquiring corporation to assume or continue the option, or substitute the option with a similar award; cancel or arrange for the cancellation of the option, to the extent not vested or not exercised prior to the effective time of the Corporate Transaction, which may be in exchange for cash consideration (if any) as the Board (in its sole discretion) may consider appropriate; make payment to the optionholder (in a form as may be determined by the Board) equal to the value of the Share the optionholder would have received upon the exercise of the option, over any exercise price payable by the optionholder in connection with such exercise. <p>The option terms define Corporate Transaction as (relevantly) any of the following:</p> <ul style="list-style-type: none"> a sale or other disposition of all or substantially all, as determined by the Board in its sole discretion, of the consolidated assets of Nuix and its related bodies corporate; a sale or other disposition of at least fifty percent (50%) of the outstanding securities of Nuix; a merger, consolidation or similar transaction following which Nuix is not the surviving entity; or a merger, consolidation or similar transaction following which Nuix is the surviving entity but the Shares outstanding immediately preceding the merger, consolidation or similar transaction are converted or exchanged by virtue of the merger, consolidation or similar transaction into other property, whether in the form of securities, cash or otherwise.
Other terms	<p>Options are not transferable and will not be quoted. Other terms include provisions relating to amendments to the terms by the Board.</p> <p>Any changes to option terms are subject to the ASX Listing Rules</p>

REMUNERATION REPORT (CONTINUED)

4.6 Treatment of equity arrangements for former CFO

As outlined in section 1, former CFO Stephen Doyle ceased as KMP on 21 June 2021 and concluded his employment with the Group on 30 June 2021.

Table 10. Treatment of various incentives for former CFO:

INCENTIVE/ENTITLEMENT	FURTHER DETAIL
Notice period	Mr Doyle worked out a portion of his 6-month notice period from 21 June to 30 June 2021. He received a payment in lieu of the remainder of this notice period which was paid in July 2021.
Short-term incentive (section 4.3)	Mr Doyle was awarded an STI payment for the period from 1 July 2020 to the date of listing under his previous employment contract. No STI was awarded to Mr Doyle post the listing of Nuix for the remainder of FY21.
FY21 LTI award (section 4.4)	The Board determined that 50% of Mr Doyle's FY21 LTI award (i.e. 53,555 options) would be cancelled. The remaining 50% of Mr Doyle's FY21 LTI award (i.e. 53,555 options) will remain on foot to be tested against the original revenue and EDITDA performance conditions and vest (as applicable) at the end of the original 3-year performance period. The treatment of any options that remain on foot (to the extent performance hurdles are met) will remain subject to the forfeiture and clawback provisions of the LTI plan rules in various circumstances including fraud or dishonesty.

4.7 Executive KMP remuneration statutory table

The table below sets out Executive KMP remuneration for FY21 in accordance with the requirements of the Accounting Standards and *Corporations Act 2001* (Cth). The table reflects the accounting value of remuneration attributable to KMP, derived from the various components of their remuneration.

Table 11. Statutory remuneration table

FINANCIAL YEAR	Short-term			Long-term			Share-based payments			TOTAL \$
	SALARY ²⁴ \$	CASH BONUS \$	NON-MONETARY BENEFITS	SUPER – ANNUATION	LONG SERVICE LEAVE \$	ACCELERATED CHARGE RELATED TO CANCELLATION OF OPTIONS ²⁵ \$	LTI \$			
Rod Vawdrey	733,533	156,089 ²⁶	-	21,694	34,992	685,161	137,103 ²⁷	1,768,571		
Stephen Doyle (former)	615,028 ²⁸	74,700 ²⁶	-	18,750	4,277	195,478	125,259 ²⁹	1,033,491		
Chad Barton	23,636	-	-	2,245	-	-	-	25,882		
Jonathan Rees ³⁰	21,850	13,757	-	-	-	-	9,480	45,087		
Ethan Treese ³⁰	20,046	9,836	-	-	-	-	9,436	39,318		
TOTAL	1,414,093	254,382	-	42,690	39,269	880,639	281,278	2,912,350		

24 Includes annual leave expenses recognised during FY21.

25 Acceleration of remaining unamortised fair value of legacy options held by KMPs at the time of IPO that were subject to cancellation and required to be recognised through profit and loss in FY21. Fair value of these options determined at original grant dates pre IPO.

26 Amounts paid to the CEO and former CFO, represent bonuses earned for the period from 1 July 2020 to 3 December 2020 prior to listing.

27 Rod Vawdrey's LTI accounting reflects an expectation that the service period will be completed upon his anticipated retirement.

28 Stephen Doyle's salary reflects inclusion of \$197,083 for a payment in lieu of notice upon mutual termination.

29 Stephen Doyle's LTI reflects that the service period for the options that remain on foot was waived by the Board as of 30 June 2021.

30 Amounts for Jonathan Rees and Ethan Treese reflect the transactions from 15 June 2021 onwards, when they became KMPs.

REMUNERATION REPORT (CONTINUED)

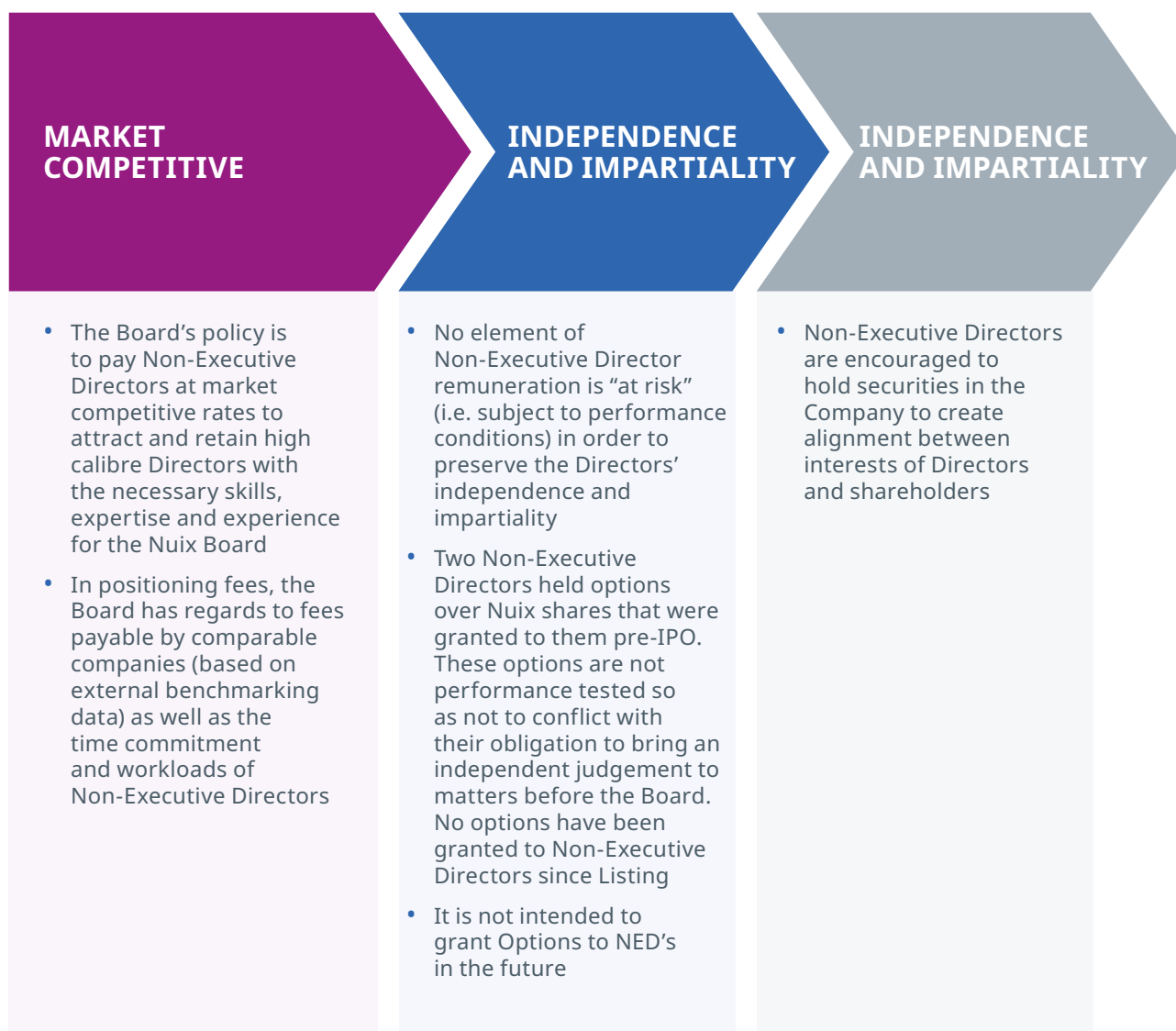
5. NON-EXECUTIVE DIRECTOR REMUNERATION

5.1 Overview

The Board sets the fees for its Non-Executive Directors in line with the key objectives of the Group's Non-Executive Director remuneration policy set out below.

Non-Executive Director remuneration is reviewed annually and the Remuneration and Nomination Committee makes recommendations to the Board regarding the remuneration of Non-Executive Directors.

The Group does not make sign-on payments to new Non-Executive Directors nor provide for retirement allowances/benefits for Non-Executive Directors (other than superannuation). Executive Directors of the Group are not entitled to be paid Non-Executive Directors' fees.



5.2 Fee pool and schedule

Non-Executive Directors are paid from an aggregate annual fee pool of \$1,100,000, as approved by the Group's shareholders upon its listing in 2020.

Table 12 below sets out the fees (inclusive of superannuation) payable to the Non-Executive Directors of the Group in respect of FY21.

Daniel Phillips was not paid fees for being a Non-executive Director, or for chairing or being a member of any Board Committee, during FY21. Former Non-Executive Directors, Mark De Ambrosio and David Standen, also did not receive any Non-Executive Director fees in FY21 (i.e. between 30 June 2021 and 18 November 2021).

Table 12. NED fees for FY21

Non-EXECUTIVE DIRECTOR FEES	
POSITION	FEES FOR FY21 (ANNUALISED)
Chairman	\$240,000
Directors	\$120,000
Committee chairman	\$20,000
Committee member	\$10,000

5.3 Legacy options held by Non-Executive Directors

As outlined in section 6.4.2.7 of Nuix's Prospectus, Non-Executive Directors Jeffrey Bleich and Sir Iain Lobban (via Cyberswift Ltd) each held 625,000 options over Nuix shares prior to completion of the IPO. Upon completion of the IPO, 375,000 of those options were cancelled for cash and 250,000 options remained on foot for each of them.

Blackall Limited legally and beneficially held 15,000,000 options over Nuix shares that were cancelled prior to the completion of the IPO for cash. Blackall Limited is ultimately owned by Delrick Limited, a company limited by guarantee incorporated in Vanuatu which maintained a retirement fund for Nuix Co-Founder Dr. Anthony Castagna. Dr. Castagna was a nominated Director by Blackall Limited. In addition, Blackall Limited also holds 13,345,750 shares that remained subject to escrow as of 30 June 2021.

The terms of the options remaining on foot for the Non-Executive Director options on Completion are noted below. In accordance with best practice and the Group's Remuneration Policy, these options do not have performance conditions attached and are intended as a once-off arrangement.

REMUNERATION REPORT (CONTINUED)

Table 13. Key terms of legacy awards granted to Non-Executive Directors

TERM	DESCRIPTION
Exercise Price	\$5.01 per option. All options are exercisable from Completion.
Rights	Each option entitles the holder to one Share on exercise of the option.
Expiry	<p>An option will lapse on the earlier of:</p> <ul style="list-style-type: none"> • 5:00pm on 30 September 2023; • 90 days (or such longer period determined by the Board) from the date of written notice of an “insolvency Event”, which includes pursuant to an application made to the Court, the Court orders a meeting to be held in relation to a proposed compromise or arrangement for the purpose of or in connection with, a scheme for the reconstruction of the Company of its amalgamation with any other company, or a voluntary or compulsory winding-up; • 180 days following the date that Jeffrey or Iain’s appointment ceases for death, or in the Board’s opinion, a permanent disablement preventing them from continuing as a Director of Nuix; and • the date that Jeffrey or Iain ceases to be appointed as a non-Executive Director, other than as a result of death or, in the Board’s opinion, a permanent disablement preventing them from continuing as a Director of Nuix.
Change in circumstances	<ul style="list-style-type: none"> • Capital reorganisations: Options are not entitled to participate in any new issue of Shares as a result of a capital reorganisation of Nuix unless they are exercised prior to the record date for any capital reorganisation. The terms of the options shall be proportionately reorganised in accordance with the relevant reorganisation plan. • Bonus issues: If Nuix makes a bonus issue of Shares pro rata to existing shareholders for no consideration, then the number of Shares over which an option is exercisable shall be increased by the number of Shares which the optionholder would have received if the optionholder had exercised the option prior to the record date for the bonus issue.
Change in structure or control	<p>In the event of a Corporate Transactions (defined below), the Board may take one or more of the following actions in respect of the options:</p> <ul style="list-style-type: none"> • arrange for the surviving or acquiring corporation to assume or continue the option, or substitute the option with a similar award; • cancel or arrange for the cancellation of the option, to the extent not vested or not exercised prior to the effective time of the Corporate Transaction, which may be in exchange for cash consideration (if any) as the Board (in its sole discretion) may consider appropriate; • make payment to the optionholder (in a form as may be determined by the Board) equal to the value of the Share the optionholder would have received upon the exercise of the option, over any exercise price payable by the optionholder in connection with such exercise. <p>The option terms define Corporate Transaction as (relevantly) any of the following:</p> <ul style="list-style-type: none"> • a sale or other disposition of all or substantially all, as determined by the Board in its sole discretion, of the consolidated assets of Nuix and its related bodies corporate; • a sale or other disposition of at least fifty percent (50%) of the outstanding securities of Nuix; • a merger, consolidation or similar transaction following which Nuix is not the surviving entity; or

TERM	DESCRIPTION
Change in structure or control <i>(cont)</i>	<ul style="list-style-type: none"> a merger, consolidation or similar transaction following which Nuix is the surviving entity but the Shares outstanding immediately preceding the merger, consolidation or similar transaction are converted or exchanged by virtue of the merger, consolidation or similar transaction into other property, whether in the form of securities, cash or otherwise.
Other terms	Options are not transferable and will not be quoted. Other terms include provisions relating to amendments to the terms by the Board. Any changes to option terms are subject to the ASX Listing Rules.

5.4 Non-Executive Directors – statutory remuneration

The fees paid or payable to the Non-Executive Directors of the Group in respect of FY21 are set out in the table below.

Table 14. FY21 – NED statutory remuneration table

		Short-term benefits	Long-term benefits	Share-based payments	Total	
NON-EXECUTIVE DIRECTOR REMUNERATION	FINANCIAL YEAR	SALARY & FEES \$	SUPER-ANNUATION \$	OPTIONS \$	TOTAL \$	PERFORMANCE RELATED
Jeffrey Bleich	FY21	228,556	-	392,787	621,343	-
Sir Iain Lobban ³¹	FY21	121,820	-	372,652	494,472	-
Daniel Phillips	FY21	-	-	-	-	-
Sue Thomas ³²	FY21	130,231	7,591	-	137,822	-
Dr Anthony Castagna ³³ (former)	FY21	238,530	10,847	-	249,377	-
Roy Grady (former)	FY21	38,056	3,615	-	41,671	-
David Standen (former)	FY21	-	-	-	-	-
Mark De Ambrosis (former)	FY21	-	-	-	-	-
TOTAL	FY21	757,193	22,053	765,439	1,544,685	-

31 Sir Iain Lobban – Sir Iain Lobban was engaged as an adviser to the Board prior to being appointed as a Director on 18 November 2020. In this role he was paid \$41,087 and this amount is included in the total fees paid in the above table.

32 Sue Thomas was engaged as an adviser to the Board prior to being appointed as a Director on 18 November 2020. In this role she was paid \$50,332 and this amount is included in the total fees paid in the above table.

33 Former Chairman Dr Anthony Castagna was engaged as a consultant from 1 January 2021 until 28 May 2021, when the arrangement was terminated by the Group, to facilitate and provide advice on a range of matters such as strategic initiatives, organisational structure, leading strategic projects and coaching of leaders as required. Fees payable under the consultancy agreement totalled \$180,000 with an additional \$10,847 paid in respect of superannuation contributions. These fees are not included in the above table on the basis that these transactions were not in respect of his service to the Group as a KMP.

REMUNERATION REPORT (CONTINUED)

6. REMUNERATION GOVERNANCE

6.1 Responsibility for setting remuneration

Nuix maintains a robust remuneration governance framework, which aims to ensure that the Group's remuneration practices are fair and reasonable, aligned with best practice and balance both financial and non-financial risk considerations.

Diagram 2. Nuix's remuneration governance framework

NUIX BOARD	
<p>The Board is responsible for the overall corporate governance, operation and stewardship of the Group and, in particular, for the long-term growth and profitability, the strategies, values, policies and financial objectives.</p> <p>The Board reviews, challenges, applies judgment and, as appropriate, approves the Remuneration and Nomination Committee's recommendations. It approves the remuneration of Executive KMP and of Non-Executive Directors and the policies and frameworks that govern both.</p>	
REMUNERATION AND NOMINATION COMMITTEE	
<p>The role of the Remuneration and Nomination Committee is to assist the Board by reviewing and making recommendations to the Board in relation to:</p> <ul style="list-style-type: none"> • the Group's Remuneration Policy, including as it applies to Non-Executive Directors and the process by which any pool of Non-Executive Directors' fees approved by shareholders is allocated to Directors; • remuneration packages of senior executives, Non-Executive Directors and Executive Directors, equity-based incentive plans and other employee benefit programs; • succession issues and planning for the Board, Chief Executive Officer, senior executives and Executive Directors and the recruitment of new Non-Executive Directors and senior executives; • the appointment and re-election of people as members of the Board and its committees; • the Group's recruitment, retention and termination policies; • the process for the evaluation of the performance of the Board, its Board committees and individual Non-Executive Directors; and • the size and composition of the Board and strategies to address Board Diversity and the Group's performance in respect of the Group's Diversity Policy. 	
MANAGEMENT	EXTERNAL ADVICE
<p>Management is responsible for preparing proposals to be considered by the Remuneration and Nomination Committee on remuneration arrangements and outcomes.</p> <p>Management also oversees the implementation of approved remuneration policies and processes.</p>	<p>External advisers may be used from time-to-time to supplement the Remuneration and Nomination Committee's own information and insights (as required) and to ensure the Committee is appropriately informed when discharging its obligations.</p>

6.2 Use of remuneration consultants

The Remuneration and Nomination Committee seeks external remuneration advice to assist the Committee with discharging its duties and ensure that it is fully informed when making decisions (including on recent market trends and practices and other remuneration related matters).

Any advice from consultants is used as a reference point by the Remuneration and Nomination Committee and the Board only, and does not serve as a substitute for thorough consideration by Non-Executive Directors.

During FY21, the Committee received advice from KPMG including benchmarking services and market practice in respect of incentive arrangements in ASX listed entities.

No remuneration recommendations (as defined in section 9B of the *Corporations Act 2001*) were obtained during the financial year ended 30 June 2021.

6.3 Details of Executive Service Agreements

Key terms of the service agreements of Executive KMP are summarised in Table 15 below.

Table 15. Key terms of Executive KMP contracts in FY21

EXECUTIVE SERVICE AGREEMENTS	
Element	Further detail
Duration	Ongoing term, except Interim CFO, which is fixed term.
Periods of notice required to terminate	<p>Either party may terminate the contract by giving the following notice:</p> <ul style="list-style-type: none"> • CEO and CFO – 6 months’ written notice; • Executive Vice President, International and Executive Vice President, Americas – 90 days or 3 months’ written notice; and • Interim CFO – 1 month’s written notice. <p>For all Executive KMP, the Group may terminate the service agreement immediately without notice in certain circumstances, including (but not limited to) where the relevant Executive KMP engages in a serious breach of agreement or serious misconduct.</p>
Termination payments	Members of the Executive KMP are not entitled to any termination payments. A payment may be made in lieu of notice at the discretion of the Board where termination occurs other than for cause.
Restraints	The CEO and CFO are subject to a post-employment restraint period of 12 months and 9 months respectively. The Executive Vice President International and Executive Vice President, Americas have a 6 months’ post-employment restraint period. The Interim CFO has a 1 month post-employment restraint period.

REMUNERATION REPORT (CONTINUED)

7. FURTHER INFORMATION

7.1 Executive KMP and Director share ownership

Tables 16 and 17 below set out the number of shares held directly, indirectly or beneficially by KMP.

Table 16. Movements in shareholdings not held under an employee share plan

	OPENING BALANCE	PURCHASE OF SHARES	DISPOSAL OF SHARES	OTHER CHANGES DURING THE YEAR	BALANCE 30-JUN-21
Non-Executive Directors					
Jeffrey Bleich	-	35,000	-	-	35,000
Sir Iain Lobban	-	-	-	-	-
Daniel Phillips	-	-	-	-	-
Sue Thomas	-	18,833	-	-	18,833
Dr Anthony Castagna (former) ³⁴	13,345,750	-	-	13,345,750	-
Roy Grady (former)	-	-	-	-	-
David Standen (former)	-	-	-	-	-
Mark De Ambrosis (former) ³⁵	-	-	-	-	-
Executive KMP					
Rod Vawdrey	-	1,680,509	-	-	1,680,509
Stephen Doyle (former) ³⁶	-	834,370	-	834,370	-
Chad Barton	-	-	-	-	-
Jonathan Rees ³⁷	4,610	-	-	-	4,610
Ethan Treese ³⁷	-	-	-	-	-

34 Held through Blackall Limited, and have been shown as part of "other changes" as Dr Anthony Castagna ceased to be a KMP on 18 November 2020. These shares remained subject to escrow as of 30 June 2021. Blackall Limited is a New Zealand incorporated company and legal and beneficial owner of described shares. Blackall Limited is ultimately owned by Delrick Limited, a company limited by guarantee incorporated in Vanuatu which maintains a retirement fund for Nuix co-founder Dr Anthony Casagna.

35 Cavill Armitage Services Pty Ltd, the trustee of Cavill Armitage Co-Investment Fund, a special purpose investment vehicle managed by Armitage Associates Pty Ltd held 17,939,783 shares in Nuix and sold down half of these in the IPO. Mark De Ambrosis was the nominated director of the shareholder to the Nuix board.

36 Shares held by Stephen Doyle have been shown as part of "other changes" as he ceased to be a KMP on 30 June 2021. These shares remained subject to escrow as of 30 June 2021.

37 Opening balance for Jonathan Rees and Ethan Treese reflect the number of shares held on 15 June 2021 when they became KMPs.

Table 17. Movements in options held under an employee share plan

	INSTRUMENT	OPENING BALANCE	GRANTED	EXERCISED	CANCELLED ³⁸	OTHER CHANGES DURING THE YEAR	LAPSED	BALANCE 30-JUN-21	EXERCISABLE 31-JUNE-21
Non-Executive Directors									
	Jeffrey Bleich	Options	375,000	250,000	10,000	375,000	-	240,000	240,000
	Sir Iain Lobban ³⁹	Options	375,000	250,000	-	375,000	-	250,000	250,000
	Daniel Phillips	Options	-	-	-	-	-	-	-
	Sue Thomas	Options	-	-	-	-	-	-	-
	Dr Anthony Castagna (former) ⁴⁰	Options	15,000,000	-	-	-	15,000,000	-	-
	Roy Grady (former)	Options	-	-	-	-	-	-	-
	David Standen (former)	Options	-	-	-	-	-	-	-
	Mark De Ambrosis (former)	Options	-	-	-	-	-	-	-
Executive KMP									
	Rod Vawdrey	Options	7,500,000	169,891	-	7,500,000	-	169,891	-
	Stephen Doyle (former)	Options	1,150,000	107,110	-	1,150,000	53,555	53,555	-
	Chad Barton	Options	-	-	-	-	-	-	-
	Jonathan Rees ⁴¹	Options	420,041	-	-	-	-	420,041	-
	Ethan Treese ⁴¹	Options	408,206	-	-	-	-	408,206	-

38 Amounts paid for the cancellation of these options were calculated as the Offer Price less the exercise price per option, multiplied by the number of options being cancelled. The payments to each of the individuals who were KMPs at the time of cancellation of options being Jeffrey Bleich, Sir Iain Lobban, Rod Vawdrey and Stephen Doyle were \$1,320,000; \$1,091,250; \$27,975,000, and \$4,430,500 respectively.

39 Sir Iain Lobban holds options through Cyberswift Ltd, an entity incorporated in the United Kingdom.

40 Held through Blackall Limited and have been shown as part of "other changes" as Dr Anthony Castagna ceased to be a KMP on 18 November 2020. These shares remained subject to escrow as of 30 June 2021. Blackall Limited is a New Zealand incorporated company and legal and beneficial owner of described options. Blackall Limited is ultimately owned by Delrick Limited, a company limited by guarantee incorporated in Vanuatu which maintains a retirement fund for NuiX co-founder Dr Anthony Casagna.

41 Opening balance for Jonathan Rees and Ethan Treese reflects the number of options held on 15 June 2021 when they became KMPs

REMUNERATION REPORT (CONTINUED)

7.2 Movement of securities

Table 18 below discloses the number of options that vested or lapsed during FY21 for Non-Executive Directors and Executive KMP.

Table 18. Options awarded, vested or lapsed during the reporting period for KMP.

KEY MANAGEMENT PERSONNEL	FINANCIAL YEAR	INSTRUMENT	AWARDED DURING THE REPORTING PERIOD	AWARD DATE	FAIR VALUE AT AWARD DATE	VESTING DATE	EXERCISE PRICE	EXPIRY DATE	NO. VESTED DURING THE REPORTING PERIOD	NO. LAPSED DURING THE REPORTING PERIOD	VALUE GRANTED DURING THE REPORTING PERIOD	VALUE OF OPTIONS EXERCISED DURING THE REPORTING PERIOD
Non-executive Directors												
Jeffrey Bleich	FY21	Options	250,000	30-Sep-20	367,351	30-Sep-20	\$5.01	30-Sep-23	250,000	-	367,351	14,694 ⁴²
Sir Iain Lobban	FY21	Options	250,000	30-Sep-20	367,351	30-Sep-20	\$5.01	30-Sep-23	250,000	-	367,351	-
Daniel Phillips	FY21	n/a	-	-	-	-	-	-	-	-	-	-
Sue Thomas	FY21	n/a	-	-	-	-	-	-	-	-	-	-
Dr Anthony Castagna (former)	FY21	n/a	-	-	-	-	-	-	-	-	-	-
Roy Grady (former)	FY21	n/a	-	-	-	-	-	-	-	-	-	-
David Standen (former)	FY21	n/a	-	-	-	-	-	-	-	-	-	-
Mark De Ambrosis (former)	FY21	n/a	-	-	-	-	-	-	-	-	-	-
Executive KMP												
Rod Vawdrey	FY21	Options	169,891	4-Dec-20	397,386	31-Aug-22 ⁴³	\$5.31	31-Aug-25	-	-	397,386	-
Stephen Doyle (former)	FY21	Options	107,110	4-Dec-20	250,537	30-Jun-21	\$5.31	31-Aug-25	53,555	53,555	250,537	-
Chad Barton	FY21	n/a	-	-	-	-	-	-	-	-	-	-
Jonathan Rees ⁴⁴	FY21	n/a	-	-	-	-	-	-	-	-	-	-
Ethan Treese ⁴⁴	FY21	n/a	-	-	-	-	-	-	-	-	-	-

42 Jeffrey Bleich exercised 10,000 options to acquire 10,000 shares with an exercise price of \$5.01 for a total payment of \$50,100 to the Company. The fair value of each option that was exercised had been determined by the Company (for accounting purposes in accordance with the requirements of AASB 2 Share-based payment) to be \$1.47 each.

43 On the basis that it is anticipated that Rod will retire, and that the options will remain on foot upon his retirement, the vesting date used in accounting for these options in FY2021 is 31 August 2022.

44 Entries for Jonathan Rees and Ethan Treese reflects that no options were granted to them during the period of the year that they were KMPs, which commenced on 15 June 2021.

7.3 Other transactions and balances with Executive KMP

A. Loans to Executive KMP

No Executive KMP or their related parties received loans, guaranteed or secured, directly or indirectly from the Group during the year.

B. Other Executive KMP transactions

With the exception of the Consultancy arrangement with Dr. Anthony Castagna disclosed in section 5.4, the group did not engage in any transactions with Executive KMP or their related parties during the year.

C. Other transactions

A former director, Dr. Tony Castagna is a director of Haventec Pty Ltd and had the capacity to significantly influence decision making of that company during the year. Nuix Limited provided office space to Haventec Pty Ltd for nil consideration during the year, under an arrangement which has ceased prior to 30 June 2021.

FINANCIAL REPORT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2021

	NOTES	2021 \$000	2020 \$000
Revenue	2.1	176,068	175,859
Cost of goods sold		(18,851)	(20,686)
Gross profit		157,217	155,173
Sales and distribution		(52,399)	(64,075)
Research and development		(37,932)	(32,903)
General and administration	2.3	(68,598)	(24,675)
Other income	2.4	1,160	1,011
Other gains/(losses) – net	2.3	(2,015)	(250)
Operating (loss)/profit		(2,567)	34,281
Finance costs	2.5	(1,393)	(1,859)
(Loss)/Profit before income tax		(3,960)	32,422
Income tax benefit/(expense)	3.1	2,554	(8,835)
(Loss)/Profit for the year		(1,406)	23,587
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(8,478)	1,809
Other comprehensive income, net of tax		(8,478)	1,809
Total comprehensive income for the year, net of tax		(9,884)	25,396
		\$	\$
Earnings per share			
Basic	2.7	(0.00)	0.09
Diluted	2.7	(0.00)	0.08

The consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

The change in classification of comparative period balances is detailed in Note 1.9.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2021

	NOTES	2021 \$000	(AS ADJUSTED) 2020 \$000
Current assets			
Cash and cash equivalents	4.1	70,865	38,539
Trade and other receivables	4.2	63,767	51,218
Other current assets	4.3	6,209	1,897
Total current assets		140,841	91,654
Non-current assets			
Deferred tax asset	3.3	5,225	499
Intangible assets	5.1	197,415	197,155
Property and equipment	5.2	2,018	2,412
Right-of-use assets	5.3	9,036	12,872
Other non-current assets	4.2	9,474	8,986
Total non-current assets		223,168	221,924
Total assets		364,009	313,578
Current liabilities			
Current tax liabilities	3.4	571	327
Trade and other payables	4.4	19,754	20,704
Deferred revenue	4.5	33,832	36,419
Provisions	4.6	2,878	2,664
Borrowings	4.7	-	25,531
Lease liabilities	5.3	2,635	3,704
Total current liabilities		59,670	89,349
Non-current liabilities			
Deferred tax liabilities	3.3	2,467	5,334
Deferred revenue	4.5	11,528	11,372
Provisions	4.6	542	507
Lease liabilities	5.3	8,727	11,539
Total non-current liabilities		23,264	28,752
Total liabilities		82,934	118,101
Net assets		281,075	195,477
Equity			
Issued capital	8.1	370,696	104,227
Reserves	8.2	(174,322)	5,143
Retained earnings		84,701	86,107
Total equity		281,075	195,477

The consolidated statement of financial position should be read in conjunction with the accompanying notes.
The restatement of comparative period balances is detailed in Note 1.9.

FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

	ISSUED CAPITAL \$000	SHARE OPTION RESERVE \$000	FOREIGN CURRENCY TRANSLATION RESERVE \$000	RETAINED EARNINGS \$000	TOTAL EQUITY \$000
Balance at 1 July 2019	104,227	(1,339)	3,988	62,520	169,396
Profit for the year	-	-	-	23,587	23,587
Other comprehensive income, net of tax	-	-	1,809	-	1,809
Total comprehensive income	-	-	1,809	23,587	25,396
Share-based payments	-	685	-	-	685
Balance at 30 June 2020	104,227	(654)	5,797	86,107	195,477
Profit for the year	-	-	-	(1,406)	(1,406)
Other comprehensive income	-	-	(8,478)	-	(8,478)
Total comprehensive income	-	-	(8,478)	(1,406)	(9,884)
Contributions of equity, net of transaction costs and tax	266,469	-	-	-	266,469
Cancellation of options	-	(175,040)	-	-	(175,040)
Share-based payments	-	4,053	-	-	4,053
Balance at 30 June 2021	370,696	(171,641)	(2,681)	84,701	281,075

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	NOTES	2021 \$000	2020 \$000
Cash flows from operating activities			
Receipts from customers		164,482	176,507
Payments to employees and suppliers ⁴⁵		(152,039)	(115,744)
Interest received		17	37
Interest paid		(1,464)	(1,823)
Income tax paid	3.5	(195)	(419)
Net cash from operating activities	2.6	10,801	58,558
Cash flows from investing activities			
Payments for software development costs	5.1	(34,130)	(42,455)
Purchase of intangible assets	5.1	(126)	(1,021)
Purchase of property and equipment	5.2	(1,051)	(1,355)
Net cash used in investing activities		(35,307)	(44,831)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	8.1	275,661	-
Payments to option holders for cancellation of options	8.2	(175,614)	-
Payments for share issue costs ⁴⁵		(13,132)	-
Principal payments of lease		(3,739)	(2,812)
Repayment of borrowings	4.7	(25,071)	-
Transaction costs on borrowings		-	(151)
Net cash provided by/(used in) financing activities		58,105	(2,963)
Net change in cash and cash equivalents		33,599	10,764
Cash and cash equivalents at beginning of financial year	4.1	38,539	27,332
Exchange differences on cash and cash equivalents		(1,273)	443
Cash and cash equivalents at end of financial year	4.1	70,865	38,539

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

⁴⁵ Cash flows related to payment of offer costs are recognised in the statement of cash flows between operating activities and financing activities, on a basis consistent with the split between recognition in equity and profit and loss (refer Note 4). The total amount of cash paid for offer costs during the year was \$45,409,000 of which \$32,277,000 was recognised within payments to employees and suppliers as part of operating activities, and \$13,132,000 was recognised as payments for share issue costs as financing activities.

FINANCIAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The notes are grouped into 9 sections. Each section contains an introduction and general information, along with the relevant accounting policies and key judgements.

The layout of these financial statements has been streamlined to present them in a way that is intuitive for readers to follow. This is achieved by grouping disclosures, and focusing information in a manner which provides increased clarity and ease of understanding.

This section describes the key accounting principles and policies that we have adopted in preparing the financial statements for the Group as a whole. This section also analyses the impact of any newly issued but not yet effective accounting standards which will be effective for Nuix in future years.

1.1 Reporting entity

Nuix Limited (the 'Company') is a company that is incorporated and domiciled in Australia. The Company's registered address is Level 27, 1 Market Street, Sydney NSW Australia. Nuix is a leading provider of investigative analytics and intelligence software. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as 'the Group').

1.2 Basis of accounting

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board, and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards adopted by the International Accounting Standards Board.

The financial statements were authorised for issue by the Board of Directors on 30 September 2021.

The consolidated financial statements are presented in Australian dollars, which is the reporting currency of the Company, and has been prepared on the basis of historical cost except in accordance with relevant accounting policies where assets and liabilities are stated at their fair values.

Nuix is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. In accordance with that instrument all financial information presented has been rounded to the nearest thousand dollars, unless otherwise stated.

1.3 Basis of consolidation

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

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 in the acquisition is generally measured at fair value. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Identifiable assets and liabilities 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.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity and the 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 and loss as a bargain purchase. Any goodwill that arises is tested annually for impairment.

Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

1.3.1 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it 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 over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

1.3.2 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated.

1.4 Foreign currency transactions and balances

1.4.1 Functional and presentation currency

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates at the dates of the transactions. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

1.4.2 Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Australian dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Australian dollars at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income (OCI) and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

FINANCIAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.5 New standards, interpretations and amendments adopted by the Group

A number of new or amended standards and interpretations became applicable for the current reporting period effective from 1 July 2020. The Group did not have to change its accounting policies or make retrospective adjustments to adopt these standards. As a result of its shares becoming listed on the Australian Stock Exchange, the Group has applied AASB 133/IAS 33 *Earnings Per Share* for the first time for the year ended 30 June 2021.

1.6 Impact of standards issued but not yet applied by the Group

A number of new or amended standards and interpretations have been published that are not mandatory for 30 June 2021 full year reporting and have not been early adopted by the Group. When they are required to be adopted, they are not expected to have a significant impact on the Group's consolidated financial statements.

1.7 Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. 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 year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Significant areas of estimation and critical judgements are described in the relevant note.

- Revenue recognition – Note 2.1;
- Uncertain tax position – Note 3;
- Capitalisation and useful life of intangible assets – Note 5.1;
- Impairment testing of goodwill – Note 5.4; and
- Contingent liabilities – Note 9.5.

1.8 Significant events and transactions

The Company completed an initial public offering ('IPO' or the 'Offer') of its shares, whereby 51,904,161 new shares were issued by the Company and 127,574,983 shares were offered by existing shareholders at an offer price of \$5.31 per share.

The Company was admitted to the Official List of ASX Limited on 4 December 2020.

In relation to the Offer, the Company performed the following transactions:

- Issued 51,904,161 new shares at \$5.31 each (refer Note 8.1);
- Cancelled 38,961,508 existing options to acquire shares of the Company (refer Note 8.2);
- Incurred \$45,409,000 of costs related to the offer, \$1,014,000 related to listing fees and \$2,637,000 related to the sale process explored by Nuix as an alternative to the offer (refer Note 2.3);
- Granted options and performance rights as detailed in the Prospectus (refer Note 6.2).

The accounting for these transactions during the year is described in the relevant notes to the consolidated financial statements.

COVID-19 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 are interfering with general activity levels within the community and the economy. The scale and duration of these developments continue to remain uncertain. Nuix has continued to operate through COVID-19 (and government restrictions to manage the pandemic) with

the majority of staff able to carry out their roles, working remotely where required, in developing software, entering into new customer contracts, supporting and training customers, and operating the business. Nuix is currently requiring or encouraging its staff to work remotely and has implemented work-related travel restrictions on staff.

1.9 Changes in classification and presentation

During 2021, the Group amended the classification and presentation of share-based payment expenses to reflect more appropriately the functions that incur these costs. Comparative amounts in the statement of profit and loss and other comprehensive income were reclassified for consistency. As a result, amounts of \$452,000, \$98,000 and \$135,000 were reclassified to the comparative sales and distribution, research and development and general and administration costs respectively.

The Group has also amended the presentation in the balance sheet to reflect the portion of unbilled revenue and deferred revenue expected to be realised greater than 12 months post balance date as non-current. This resulted in a reduction in current unbilled revenues of \$8,986,000 and a corresponding increase in other non-current assets, and a reduction in current deferred revenues of \$11,372,000 and a corresponding increase in non-current deferred revenues compared to amounts previously presented as at 30 June 2020.

1.10 Financial instruments

1.10.1 Recognition and initial measurement

Trade receivables are initially recognised when customers are invoiced. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual obligations.

A financial asset (unless it is a trade receivable) or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition. Trade receivables are initially measured at the transaction price.

1.10.2 Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or in which the Group neither transfers/retains substantially all of the risks and rewards of ownership, and it does not retain control.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified financial liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

1.10.3 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has the legally enforceable right to set off the amounts and it intends either to settle them net, or to realise the asset and settle the liability simultaneously.

1.10.4 Impairment

The Group assesses on a forward-looking basis, the expected credit losses associated with its trade receivables and contract assets. Loss allowances for trade receivables and contract assets are always measured at an amount equal to the expected lifetime losses. The expected lifetime losses are those that result from all possible default events over the expected life of a financial instrument. Loss allowances for financial assets measured at amortised cost, are deducted from the gross carrying amount of the assets.

FINANCIAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.11 Goods and services tax

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

The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

1.12 Classification of expenses

1.12.1 Presentation of results

The Group has presented the expense categories within the consolidated statement of profit or loss on a functional basis. The categories used are cost of goods sold, research and development, sales and distribution and general and administration. The presentation style provides insight into the Company's business model and enables users to consider the results of the Group compared to other major software companies. The methodology and the nature of costs within each category are further described below.

1.12.2 Cost of goods sold

Cost of goods sold consists of expenses directly associated with securely hosting the Group's services and providing support to customers. Costs include data centre costs, personnel and related costs directly associated with cloud infrastructure and customer consulting, implementation and customer support, contracted third party costs, reseller channel costs and allocated overheads.

1.12.3 Research and development expenses

Research and development expenses consist primarily of personnel and related costs directly associated with the Company's research and development employees, as well as direct costs of research and development (including subscriptions) and allocated overheads. When future economic benefits from development of an intangible asset are determined probable and the development activities are capable of being reliably measured, the costs are capitalised as an intangible asset and then amortised to profit or loss over the estimated life of the asset created. The development activities comprise the interface design, coding, documentation and testing of a chosen alternative for new or improved software products, processes, systems and services. The amortisation of those costs capitalised is included as a research and development expense.

1.12.4 Sales and distribution expenses

Sales and distribution expenses consist of personnel costs directly associated with the sales and marketing team's activities to acquire new customers and grow revenue from existing customers. Other costs included are external advertising, digital platforms, marketing and promotional events as well as allocated overheads.

1.12.5 General and administration expenses

General and administration expenses consist of personnel and related costs for the Company's executive, Board of Directors, finance, legal, human resources, corporate strategy, CISO, and IT employees. They also include legal, accounting and other professional services fees, insurance premiums, acquisition and integration costs associated with the Company's ongoing acquisition strategy, other corporate expenses and allocated expenses.

1.12.6 Overhead allocation

The presentation of the consolidated statement of profit or loss and other comprehensive income by function requires certain overhead costs to be allocated to functions. These allocations require management to apply judgement. The costs associated with the Group's facilities, internal information technology and non-product related depreciation and amortisation are allocated to each function based on respective headcount.

2. OPERATING RESULTS AND FINANCIAL PERFORMANCE NOTES

This section focuses on the operating results and financial performance of the Group.

It includes disclosures related to revenue and its recognition during the period, breakdowns of selected costs, segment reporting, other income, and a reconciliation of profit before tax to operating cash flows.

2.1 Revenue

	2021 \$000	2020 \$000
Software	171,513	168,969
Services	4,465	5,891
Hardware	90	999
	176,068	175,859

Disaggregation of revenue

The Group disaggregates revenue by categories shown in the tables below.

TIMING OF REVENUE RECOGNITION	2021 \$000	2020 \$000
Point in time	118,592	118,648
Overtime	57,476	57,211
	176,068	175,859

REVENUE	2021 \$000	2020 \$000
Subscription licences	119,049	113,278
Perpetual licences	30,442	35,043
Consumption licences	22,022	20,610
Total licence revenues (including related support and maintenance)	171,513	168,931
Professional services	4,465	5,930
Hardware	90	998
Total other revenues	4,555	6,928
Total revenues	176,068	175,859

Accounting policies

(i) Revenue recognition

Revenue is recognised upon transfer of control of promised products or services to customers in an amount that reflects the consideration expected to be received in exchange for those products or services. We enter into contracts that can include various combinations of products and services, which are generally capable of being distinct and accounted for as separate performance obligations. Revenue is recognised net of allowances for returns and any taxes collected from customers, which are subsequently remitted to governmental authorities.

The timing of revenue recognition may differ from the timing of invoicing to our customers.

FINANCIAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(ii) Nature of products and services

Licences for on-premises software provide the customer with a right to use the software as it exists when made available to the customer. Customers may purchase perpetual licences or subscribe to licences for on-premise software, which provide customers with the same functionality and differ mainly in the duration over which the customer benefits from the software. Revenue from distinct on-premises licenses are recognised upfront at the point in time when the software is made available to the customer, and in the case of renewals, when the original period ends and the additional period has started on the basis that this is the date from which the customer can use and benefit from the renewal.

Subscription licencing agreements are generally combined with support and maintenance, which conveys rights to unspecified upgrades released over the contract period and support and maintenance to help customers deploy and use products more efficiently. On-premises licenses are considered distinct performance obligations when sold with support and maintenance.

Revenue allocated to support and maintenance is recognised rateably over the contract period as customers simultaneously consume and receive the benefits, given that support and maintenance comprises distinct performance obligations that are satisfied over time.

For consumption licences, the customer is charged based on the volume of data processed or under management in each licence period. Customers are charged on a tiered "cost per gigabyte" basis, typically with minimum annual volume/revenue commitments.

Where such consumption licences are for a right to use software, and there is a fixed minimum commitment, a portion of the contract value related to the sale of the licence is recognised when the licence is made available to the customers, with the portion related to support and maintenance recognised over time. Any overage charges are recognised when the usage occurs, as this corresponds directly with the value to the customer of Nuix's performance completed to date.

Where such consumption licences are for a right to access software, generally the case for consumption licences related to our SaaS offering Discover SaaS, revenue is recognised over time. This is because the obligation to provide a SaaS service is determined to be a series of distinct service periods, and allocation of the fees earned to each distinct service period based on the customer's usage each period would reasonably reflect the fees to which Nuix expect to be entitled for providing the SaaS during that period.

A licence is a right to access software where:

- the contract requires, or the customer reasonably expects, that the entity will undertake activities that significantly affect the IP to which the customer has rights;
- the rights granted by the licence directly expose the customer to any positive or negative effects of the entity's activities that significantly affect the IP; and
- those activities do not result in the transfer of a good or a service to the customer as those activities occur.

(iii) Support and maintenance revenue

Support and maintenance services are either bundled into licensing arrangements or sold separately to customers.

Where these services are bundled the Group allocates the transaction price to support and maintenance performance obligations based on their relative standalone selling price. We determine standalone selling price by considering multiple factors including but not limited to prices we charge for similar offerings, market conditions, competitive landscape and pricing practices. Priority is placed on observable pricing where available. Support and maintenance services are provided over the contractual period and accordingly are recognised over time.

(iv) Professional services revenue

Professional services revenue mainly consists of fees charged for consultancy and training service. Revenue from a contract to provide consulting and training services is recognised over time as the consulting and training is performed.

(v) Sale of goods

The Group on occasion will provide 3rd Party Software and Hardware to a customer. Revenue from the sale of these goods is recognised at the point of delivery as this corresponds to the transfer of control of the goods to the customer.

(vi) Costs of obtaining a customer contract

Incremental costs associated with acquiring a customer contract, such as sales commissions, are generally required to be recognised as an asset and amortised over a period that corresponds with the period of benefit.

An assessment of commissions paid by the Group was performed in connection with the sale of software products. As a practical expedient, Nuix generally recognises the commissions as an expense when incurred given the amortisation period of any capitalised amount would be recognised in one year or less. This is a result of license revenue being recognised at a point in time and commensurate commission being paid upon inception of a contract. Consequently, under current arrangements costs of obtaining a contract are expensed in the period incurred.

(vii) Sales through partners

Where the Group uses partners, the Group must assess whether its customer is the partner or the end user. Where the end user is the customer, revenue is recognised for the consideration paid by the end user with any commission retained by the partner recognised as commission expense within costs of goods sold. Where the partner is the customer, revenue is recognised at the net (of commission) amount received.

(viii) Contract balances and other receivables

Timing of revenue recognition may differ from the timing of invoicing to customers. We record an unbilled revenue when revenue is recognised prior to invoicing, or deferred revenue when revenue is recognised subsequent to payment being received or due. For multi-year agreements, we generally invoice customers annually at the beginning of each annual coverage period. We record a receivable related to revenue recognised for multi-year on-premises licences as we have an unconditional right to invoice and receive payment in the future related to those licences.

Deferred revenue comprises mainly unearned revenue related to support and maintenance obligations, cloud services (Nuix hosted SaaS services), and revenues from subscription licences where Nuix presently have billed customers, but the customer can only begin to benefit from the licence post balance date.

Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 30 to 60 days. In instances where the timing of revenue recognition differs from the timing of invoicing, we have determined our contracts generally do not include a significant financing component. The primary purpose of our invoicing terms is to provide customers with simplified and predictable ways of purchasing our products and services, not to receive financing from our customers or to provide customers with financing. An example of providing such simplified and predictable ways of purchasing our product and services include multi-year on-premises licences that are invoiced annually, with revenue recognised up front.

Significant judgements and assumptions*Determination of contract term*

For licences to use our software, determining the non-cancellable term of a contract with a customer can require significant judgement. Given a substantial portion of our contracting is with governmental agencies, and the varied nature of our contracting with customers, interpretation of termination clauses at the inception of the contract requires judgement. If a contract term is determined to be non-cancellable for a longer period, a higher amount of revenue is likely to be recognised upfront; whereas a contract term that is determined to be non-cancellable for a shorter period, a lower amount of revenue is likely to be recognised upfront.

FINANCIAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Contracts with multiple performance obligations

The Group enters into contracts with its customers that can include promises to transfer multiple performance obligations. A promised good or service must be distinct to be accounted for as a separate performance obligation. For software license contracts, there is a combination of goods and services that include software licensing, software maintenance and support services which are generally treated as separate performance obligations on the basis that the customers can benefit from them separately (or with other rights that they have), and they are separately identifiable in the contract.

Judgement has been exercised in estimating the standalone selling price for software licences with bundled support and maintenance. To estimate the standalone selling prices for the software licenses and bundled support and maintenance, Nuix considers available observable inputs, such as the support and maintenance charges where there is no bundling, including adjustments to these observable inputs to reflect differences in the licensing arrangements, market conditions, competitive landscape and pricing practices.

Recognition of revenue on sales made through partners

Where the Group transacts with customers through partners, we are required to assess whether the partner is:

- our customer – in which case, Nuix will recognise the net consideration receivable from the partner as revenue; or
- an agent, and the end customers are Nuix's customers, in which case Nuix will recognise the gross consideration paid by the end customer as revenue, with the partner's fee usually recognised as a cost.

Nuix sells through partners which includes entities that are referred to by Nuix as resellers and distributors. Nuix's partners help to extend coverage and capacity of Nuix's distribution network. The flagship program for Nuix partners is known as the Partner Connect Program, which involves the tiering of partners to deliver a strategic focus by Nuix on high revenue generating partners and an efficient support framework for those with less sales frequency and volume. A reseller is an intermediary that acts on behalf of Nuix and sells Nuix software to third parties. A distributor also sells Nuix software to third parties, however the distributor may also appoint sub-distributors or agents to market and sell Nuix products on their behalf. There are a number of other types of organisations that Nuix considers to be partners that do not support indirect sales in the same way as a reseller or distributor. These partnerships include advisories and service providers, integrations partners, authorised training partners, original equipment manufacturing (OEM) partners and transactional resellers.

Nuix has concluded that it is only through reseller partners, that the partners do not obtain control of the goods and services that are provided by Nuix to end customers as part of that sales channel. In relation to sales of licences to Nuix software, resellers are required to provide Nuix with an order from an end customer and Nuix has the unilateral ability to decline such an order form. On the basis that the licence to an end customer is generated only on acceptance by Nuix of such an order form, and that the licence and associated support and maintenance is provided directly to the end customer, Nuix has concluded that the end customer is its customer, and the reseller is acting as an agent in these arrangements. In these instances, Nuix applies judgment to determine the consideration to which it is entitled using all relevant facts and circumstances that are available.

For all other sales made through partners (e.g. advisories, distributors and original equipment manufacturing partners), Nuix have concluded that the partners take control of the licence and related support and maintenance, and as a result those partners are Nuix's customers in those arrangements.

2.2 Segment information

The Group manages its operations as a single business operation and there are no parts of the Group that qualify as operating segments under AASB 8 *Operating Segments*. The CEO (Chief Operating Decision Maker or "CODM") assesses the financial performance of the Group on an integrated basis only and accordingly, the Group is managed on the basis of a single segment. Information presented to the CODM on a monthly basis is categorised by type of revenue as provided below.

Further, earnings before interest, tax and depreciation and amortisation (EBITDA) is used to assess the performance of the business.

Segment performance:

CONTINUING OPERATIONS	2021 \$000	2020 \$000
Software	171,513	168,969
Services	4,465	5,891
Hardware	90	999
Total revenue	176,068	175,859

In general, a large amount of revenue is generated by customers that are global, from transactions that cross multiple countries and where the source of revenue can be unrelated to the location of the users accessing the software. Accordingly, the Group is managed as a single segment.

Reconciliation of segment EBITDA to the net profit after tax is as follows:

	2021 \$000	2020 \$000
EBITDA	30,520	62,931
Interest expense	(1,393)	(1,859)
Foreign exchange gains and losses	(2,015)	(250)
Depreciation and amortisation	(31,072)	(28,400)
Income tax benefit/(expense)	2,554	(8,835)
Net (loss)/profit after tax	(1,406)	23,587

Geographic Information

The amounts for revenue by region in the following table are based on the invoicing location of the customer.

Revenue generated by location of customer:

	2021 \$000	2020 \$000
Asia Pacific	29,519	28,749
Americas	92,348	97,556
Europe, Middle East and Africa (EMEA)	54,201	49,554
	176,068	175,859

Non-current assets by geographic location:

	2021 \$000	2020 \$000
Asia Pacific	121,272	112,430
Americas	99,604	108,424
Europe, Middle East and Africa (EMEA)	2,292	1,070
	223,168	221,924

FINANCIAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.3 Profit for the year

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

	2021 \$000	2020 \$000
Finance costs	1,393	1,859
Other losses		
Net realised and unrealised foreign exchange loss	(2,015)	(250)
Expenses (included in general and administration)		
Offer costs ⁴⁶	32,277	-
Corporate action/trade sale ⁴⁷	2,637	-
Listing fees	1,014	-
Bad debts expense	2,215	1,709
Low value/short-term leases	106	372
Depreciation and amortisation (recognised across functions)		
Sales and distribution	2,615	2,887
Research and development	27,157	24,626
General and administration	1,300	887

2.4 Other income

	2021 \$000	2020 \$000
Government grant income	1,086	974
Other income	74	37
	1,160	1,011

Government grants recognised as other income for the current financial year relates to benefits received under the Research and Development Tax Incentive regime in excess of the statutory income tax rate.

Accounting policies – government grants

Grants from the government are recognised where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to intangible assets are included in non-current liabilities as deferred income and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

Allowances under the Australian Research and Development Tax Incentive regime are accounted for as a tax credit, except for the incremental benefit above the statutory income tax rate which is accounted for as a government grant.

⁴⁶ The total costs related to the offer were \$45,409,000, of which \$13,132,000 (\$9,192,000, net of related tax impact) related to the issue of new shares by the Company and are offset against equity raised in the offer. The remaining \$32,277,000 (\$22,593,000, net of related tax impact) relates to the sale of existing shares and is recognised as an expense within General and Administration, with the related tax benefit recognised in profit and loss.

⁴⁷ Relates to one-off costs of a sale process explored by Nuix Limited as an alternative to the Offer.

2.5 Finance costs

	2021 \$000	2020 \$000
Interest expense	1,393	1,859
	1,393	1,859

Accounting policies – finance costs

Interest expense is recognised using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments through the expected life of a financial liability to the amortised cost of the financial liability.

2.6 Reconciliation of cash flows from operating activities

	2021 \$000	2020 \$000
Cash flows from operating activities		
(Loss)/profit for the year (before income tax)	(3,961)	32,422
<i>Non-cash flows in (loss)/profit:</i>		
Depreciation	4,567	5,048
Amortisation of intangible assets	26,506	23,351
Amortisation of capitalised borrowing costs	69	-
Bad debts expense	2,225	1,709
Share-based payment expense	4,627	685
Net exchange rate differences	1,687	748
Fixed assets write-off	-	197
<i>Changes in assets and liabilities:</i>		
Increase in trade and other receivables	(15,884)	(16,405)
(Increase)/decrease in deferred tax asset	381	2,101
Increase in other current assets	(4,310)	(384)
(Decrease)/increase in trade and other payables	(3,035)	1,458
(Decrease)/increase in deferred revenue	(3,073)	8,308
Increase in employee benefits provisions	1,542	2,903
Decrease in current tax liabilities	(377)	(10,015)
Increase in deferred tax liabilities	(165)	6,431
Increase in provision for make good	2	1
Net cash from operating activities	10,801	58,558

FINANCIAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.7 Earnings per share

	2021 \$000	2020 \$000
(Loss)/profit for the year (\$'000)	(1,406)	23,587
Basic weighted average number of ordinary shares	295,123,838	265,400,633
Basic earnings per share (cents)	(0.00)	0.09
(Loss)/Profit for the year (\$'000)	(1,406)	23,587
Basic weighted average number of ordinary shares	295,123,838	265,400,633
Shares issuable in relation to equity-based compensation scheme	18,519,920 ⁴⁸	36,499,547
Effect of share options and performance rights	Antidilutive ⁴⁹	-
Diluted weighted average number of ordinary shares	295,123,838	301,900,180
Diluted earnings per share (cents)	(0.00)	0.08

Accounting policies – earnings per share

Basic earnings per share is calculated by dividing:

- profit attributable to owners, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, excluding any treasury shares.

Diluted earnings per share adjusts amounts used to compute basic earnings per share to take into account:

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

⁴⁸ Calculated as the gross shares issuable under option (i.e. not calculated using the treasury method).

⁴⁹ In the year ended 30 June 2021, the conversion of the options and performance rights on issue would reduce the loss per share.

Potential ordinary shares are 'antidilutive' when their conversion to ordinary shares would decrease loss per share from continuing operations. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on earnings per share.

As a result, the effect of share options and performance rights on diluted earnings per share is considered to be 'antidilutive' in the year ended 30 June 2021.

3. TAXATION OF OUR GLOBAL OPERATIONS

This section focuses on the taxation of our global operations.

It includes disclosures related to the income tax expense recognised from both current and deferred taxes, a reconciliation of the effective tax rate for the group, and breakdowns for the deferred tax assets and liabilities of the group.

The note also includes disclosures of significant judgements and uncertainties related to our tax positions

3.1 Income tax (benefit)/expense

	2021 \$000	2020 \$000
<i>Current tax</i>		
Current tax on profits for the year	5,039	4,724
Total current tax expense	5,039	4,724
<i>Deferred income tax</i>		
Increase in deferred tax assets	(4,727)	(1,223)
Increase in deferred tax liabilities	(2,866)	5,334
Total deferred tax (benefit)/expense	(7,593)	4,111
Income tax (benefit)/expense	(2,554)	8,835

3.2 Reconciliation of effective tax rate

	2021 \$000	2020 \$000
(Loss)/profit before income tax expense	(3,960)	32,422
Tax at the Australian tax rate of 30% (2020: 30%)	(1,188)	9,727
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment	7	48
Share-based payments	1,388	150
Difference in overseas tax rates	(1,121)	(659)
Benefit of Australian R&D tax credit amortised to other income	(326)	(303)
Benefit of United States R&D tax credit recognised in income tax expense	(660)	(119)
Others	(654)	(9)
Income tax (benefit)/expense	(2,554)	8,835

FINANCIAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3.3 Deferred tax balances

Deferred tax assets

	2021 \$000	2020 \$000
Research and development tax credit to carry forward	20,314	19,038
Employee benefits	1,374	1,317
Deferred revenue	6,193	9,823
Lease liabilities	2,794	3,697
Tax losses	820	22
Property and equipment	-	244
s40-880 "black hole" deductions related to IPO costs	12,106	-
Accruals and provisions	1,207	525
Others	1,858	776
Total deferred tax assets	46,666	35,442
Set-off deferred tax liabilities pursuant to set-off provisions	(41,441)	(34,943)
Net deferred tax assets	5,225	499

Deferred tax liabilities

	2021 \$000	2020 \$000
Intellectual property	39,136	35,374
Right-of-use assets	2,220	3,127
Unbilled revenues	1,152	815
Others	1,400	961
Total deferred tax liabilities	43,908	40,277
Set-off deferred tax assets pursuant to set-off provisions	(41,441)	(34,943)
Net deferred tax liabilities	2,467	5,334

Except for the recognition \$3,939,000 of the deferred tax asset related to offer costs being directly in equity, all movements in deferred taxes were recognised in profit and loss.

3.4 Current tax liabilities

	2021 \$000	2020 \$000
Opening balance	327	411
Current income tax provision (net of tax credits)	454	332
Income tax payments	(195)	(419)
Prior year adjustments	(47)	-
Foreign exchange difference	32	3
Closing balance	571	327

Accounting policies – income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or other comprehensive income.

i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if 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.

ii. Deferred tax

Deferred tax is recognised in respect of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects an assessment of uncertain tax positions taken.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. 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.

iii. Accounting for Investment Tax Credits

The accounting for an Investment Tax Credit (ITCs) is dependent upon whether the arrangement is more akin to a credit received for investment in a certain area, or a rather reduction in an applicable tax rate. Where an ITC is the former, it is treated as a government grant (with the relevant benefit amortised over the period necessary to match the benefits with the costs that they are intended to compensate), and where it is the latter, it is treated as a part of current tax expense.

FINANCIAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

iv. Uncertainty over income tax treatments

The application of the tax law to a particular transaction or circumstances may be unclear and the acceptance of the treatment may not be known until the relevant taxation authority undertakes an examination of the tax treatment adopted or, in the event of a dispute, when a court makes a decision at a future time.

Where there is uncertainty over income tax treatments the recognition and measurement of current or deferred tax assets or liabilities is determined applying Interpretation 23 – Uncertainty Over Income Tax Treatments.

Each uncertain tax treatment is considered separately unless consideration together with one or more other uncertain tax treatments gives rise to a better prediction of the resolution of the uncertain treatments on examination by the relevant taxation authority.

Where it is considered probable (more likely than not) that the relevant taxation authority will accept the tax treatment used or planned to be used in its income tax filings the tax treatment adopted is consistent with that used or planned treatment in the income tax filings.

In assessing such probability in the recognition and measurement of uncertain tax treatments it is assumed that the relevant taxation authority will examine amounts it has the right to examine and have full knowledge of all related information when making those examinations and determining whether or not to accept the tax treatment in the relevant income tax filings. In the event that the relevant taxation authority will not accept the tax treatment, the uncertainty of each treatment is measured using either of the following methods:

- The most likely amount – the single most likely amount in a range of possible outcomes, particularly where the outcome is binary or concentrated on one value; or
- The expected value – the sum of the probability weighted amounts in a range of possible outcomes.

In the event that an uncertain tax treatment affects both current and deferred tax the judgements made in relation to the uncertain tax treatment are made consistently for current and deferred tax.

Significant judgements and assumptions

Uncertain tax position

The Group is subject to tax in numerous jurisdictions. Significant judgement is required in recognising and measuring current and deferred tax assets and liabilities as there are transactions in the ordinary course of business and calculations for which the ultimate tax treatment on examination by a relevant taxation authority or, in the event of dispute, decision by a court is uncertain.

The Group recognises liabilities based on estimates of whether additional tax will be due. Where the final tax outcomes of these matters is different from the amount that was initially recognised, such differences will impact on the results for the year in which the respective income tax and deferred tax assets or provisions in the year in which such determination is made. The Group recognises tax assets based on forecasts of future profits against which those assets may be utilised.

The Group recognises and measures uncertain tax treatments in accordance with the policy stated above.

In the current and prior periods, the Group has exercised judgement in recognising and measuring the tax benefit of Research and Development ('R&D') tax offsets available under Australian tax legislation relating to eligible R&D expenditure incurred on eligible overseas development activities in excess of expenditure incurred on related eligible core Australian activities. In respect of the Group's Endpoint project, the relevant overseas and Australian activities were the subject of an advance overseas finding for the years ended 30 June 2016 to 30 June 2018. The relevant advance overseas finding continues to be in force.

An advance overseas finding was made that the overseas expenditure on the eligible overseas development activities would not exceed the Australian portion of the total development expenditure on the eligible R&D activities as required by section 28C *Industry Research and Development Act 1986* over the life of the project activities. The finding was made on the basis of estimates of actual and anticipated expenditure on the activities provided by the Group totalling \$42,673,000 in the course of the application for an advance overseas finding in September 2016 for years ended 30 June 2016 to 30 June 2018 only.

The Group has exercised judgement in prior years in assessing that it is probable that the relevant taxation authority (the Australian Tax Office, 'ATO') will accept the tax treatment for the Endpoint project for the years ended 30 June 2016 to 30 June 2018. This judgement that it is probable that the tax treatment for the Endpoint project for the years ended 30 June 2016 to 30 June 2018 would be accepted has remained consistent in the preparation of both the current and prior year financial statements.

In the current period the Group has initiated an early engagement request with the ATO to obtain certainty in relation to the overseas development expenditure on the Endpoint project for the years ended 30 June 2016 to 30 June 2019.

The Group has further exercised judgement that the core Australian activities approved under the advance overseas finding were effectively completed during the year ended 30 June 2019. As such the Group will not be claiming R&D tax offsets for expenditure relating to the Endpoint project in the year ended 30 June 2020 or later years.

Pending the outcome of such early engagement with the ATO the Group has resolved to amend its filed tax position for the year ended 30 June 2019 to align the tax return treatment with the financial statement treatment adopted in the finalisation of the FY2020 financial statements (i.e. tax asset of \$1,477,700 in relation to FY2019 was not recognised in the FY2020 financial statements), and as presented in the Interim Financial Report for the half year ended 31 December 2020. The tax treatment applied in the anticipated filed positions for the years ended 30 June 2019 and 30 June 2020 is consistent with the treatment applied in the preparation of the financial statements, and management have concluded that it is probable that the tax authority will accept the treatment applied in the filed positions for the years ended 30 June 2016 through 30 June 2018. Should the treatment applied in relation to the filed positions for the years ended 30 June 2016 through 30 June 2018 not be accepted, the financial effect as of 30 June 2021 would be that a deferred tax asset of \$3,640,000 and a deferred government grant revenue balance of \$1,826,890 would be derecognised.

The Group has exercised judgement in determining that it is probable that expenditure for years ended 30 June 2019 to 2021 which may be ineligible for R&D tax offset will be accepted by the ATO on examination with full knowledge of related information, as being eligible for deduction under section 8-1 ITAA 1997 having a revenue characterisation.

The Group envisages that the outcome of the early engagement with the ATO will be known during the course of the year ending 30 June 2022 with any recognition of a deferred tax asset attributable to the R&D tax offsets arising under the advance overseas finding for the Endpoint project for the year ended 30 June 2019 occurring in that year.

The recognition of R&D offsets in previous periods in relation to the Endpoint project has not given rise to underpayment of tax in the current or prior periods.

3.5 Income tax paid by legal entity

	2021 \$000	2020 \$000
Nuix North America Inc.	–	188
Nuix Limited	–	–
Nuix Technology UK Ltd	168	16
Nuix Pte. Ltd.	11	–
Nuix Philippines Regional Operating Headquarters	10	13
Nuix Ireland Ltd	6	202
	195	419

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3.6 Franking credits

Franking credits arising from the payment of income tax, by the Company during the years ended 30 June 2021 and 30 June 2020 are represented below.

FRANKING CREDITS ATTRIBUTABLE TO THE COMPANY	2021 \$000	2020 \$000
Franking credits available for subsequent financial years based on a tax rate of 30% (2020: 30%)	669	669

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 (2020: Nil); and
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date (2020: Nil).

Franking credits attributable to the Company only are represented above. Additional franking credits will be received if the distributable profits of the subsidiaries were paid as dividends to the Company.

4. WORKING CAPITAL

This section focuses on the working capital of the group as of balance date, how it has moved during the year, and how balances are anticipated to be realised in forthcoming periods.

4.1 Cash and cash equivalents

	2021 \$000	2020 \$000
Bank balances	70,865	38,539
Total cash and cash equivalents	70,865	38,539

Accounting policies – cash

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. Refer to notes 1.10 and 7.1 for accounting policies and disclosures related to financial instruments respectively.

4.2 Trade and other receivables

	2021 \$000	2020 \$000
Trade receivables	20,880	26,205
Provision for impairment of trade receivables and unbilled revenue	(1,565)	(470)
Unbilled revenue	53,838	34,110
Other debtors	87	359
Total trade and other receivables	73,241	60,204

Presentation of balances

	2021 \$000	2020 \$000
Current	63,767	51,218
Non-current	9,474	8,986
Total trade and other receivables	73,241	60,204

Ageing of overdue receivables

	2021 \$000	2020 \$000
1 – 3 months	3,601	7,340
4 – 6 months	561	738
Over 6 months	1,176	917
	5,338	8,995

Accounting policies – trade and other receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance.

Nuix has contracts with certain customers, for purchases of a subscription licenses that cover a multiyear period. As the term of a license is a characteristic of the license which is delivered to and controlled by the customer at a point-in-time, the portion of the consideration related to the provision of the license is recognised as revenue when the license is delivered to the customer, the contractual term of the license period begins, and the customer can benefit from having the license.

Refer to notes 1.10 and 7.1 for accounting policies and disclosures related to financial instruments respectively.

4.3 Other current assets

	2021 \$000	2020 \$000
Prepayments	6,057	1,698
Other receivables	152	199
Total other current assets	6,209	1,897

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4.4 Trade and other payables

	2021 \$000	2020 \$000
Sundry payables and accrued expenses	9,670	9,498
Trade payables	5,846	6,770
Customer deposits	186	453
Payroll tax and other statutory liabilities	3,686	1,822
Indirect taxes payable	366	2,161
Total trade and other payables	19,754	20,704

Accounting policies – trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the 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. Refer to notes 1.10 and 7.1 for accounting policies and disclosures related to financial instruments respectively.

4.5 Deferred revenue

	2021 \$000	2020 \$000
Customer-related		
Support and maintenance on term licences	14,946	14,396
Term licences (billed) commencing post balance date	7,284	10,000
Support and maintenance on perpetual licenses	12,561	14,912
Perpetual licences commencing post balance date	32	6
Processing income	2,138	1,443
Professional services income	3,004	1,195
	39,965	41,952
Tax incentive related		
Research and development	5,395	5,839
Total deferred revenue	45,360	47,791

Movements during the year of customer related deferred revenue

	2021 \$000	2020 \$000
Opening balance	41,952	33,017
Revenue recognised in the current year	(80,016)	(61,253)
Non-cancellable right to invoice established during the period	79,817	70,182
Exchange differences	(1,788)	6
Closing balance	39,965	41,952

Movements during the year of tax incentive related deferred revenue

	2021 \$000	2020 \$000
Opening balance	5,839	5,839
Other income recognised in the current year		
	(1,086)	(974)
Additional research and development incentive	642	974
Closing balance	5,395	5,839

Presentation of balances

	2021 \$000	2020 \$000
Current	33,832	36,419
Non-current	11,528	11,372
Total deferred revenue	45,360	47,791

4.6 Provisions

	2021 \$000	2020 \$000
Current		
Annual leave	2,519	2,330
Long service leave	359	334
	2,878	2,664
Non-current		
Long service leave	237	204
Make good obligation	305	303
	542	507

FINANCIAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Movements during the year

	2021 \$000	2020 \$000
Annual leave – current		
Opening balance	2,330	3,094
Charged to profit or loss	189	(764)
Closing balance	2,519	2,330
Long service leave – current		
Opening balance	334	168
Charged to profit or loss	25	166
Closing balance	359	334
Total – current	2,878	2,664
Long service leave – non-current		
Opening balance	204	242
Charged to profit or loss	33	(38)
Closing balance	237	204
Make good obligation – non-current		
Opening balance	303	302
Charged to profit or loss	2	1
Closing balance	305	303
Total – non-current	542	507

Accounting policies – provisions

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 6.1.

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 an interest expense.

4.7 Borrowings

	2021 \$000	2020 \$000
Current		
Bank loans	–	25,531

A. Secured liabilities

Nuix Limited currently has a Facility Agreement with the Commonwealth Bank of Australia ('CBA') which provides funding to the Company through a Cash Advance Facility. Funding under the Cash Advance Facility is made available under two tranches, being Tranche A for AUD \$40 million, and Tranche B for USD \$7.5 million. Accordingly, the available funding under the facilities as denominated in Australian dollars fluctuates from period to period, with \$50,000,000 being available under these facilities as of 30 June 2021 (2020: \$50,943,000). The Company had fully paid all of these facilities as of 30 June 2021 (2020 utilisation: \$25,531,000) and has not drawn down any additional funding since 30 June 2021 (2020: drawdown \$5,697,000 (\$4,000,000 USD)).

For the abundance of caution the Company sought (and CBA agreed to) waivers of potential technical or administrative breaches of the Facility Agreement which may have been subsisting as at 30 June 2021 including a waiver, until 20 November 2021, of any breaches which may have arisen as a result of the ASIC investigation previously disclosed to the market and in Note 9.6. This waiver was entered into post the end of the financial year. The Company had fully paid all of these facilities as of 30 June 2021 and has not drawn down any additional funding since 30 June 2021.

The Facility Agreement also provides for a bank guarantee facility and CBA has issued a bank guarantee under that facility in an amount of \$746,460 to support Nuix Limited's obligations under a real property lease. Nuix Limited's obligations in respect of that bank guarantee are contingent only.

Nuix Limited continues to review its various financing options and requirements, which may include restructuring or refinancing its existing facilities, entering into new financing arrangements with a third party and/or cancelling facilities entirely.

B. Loan covenants

Under the terms of the loan facilities with the bank, the Group is required to comply with the following financial covenants every quarterly testing date:

- Gross leverage ratio (GLR) does not exceed 1.75:1;
- Interest cover ratio (ICR) is equal to or greater than 3.00:1;
- Obligors own at least 95% of total assets of the Group and are responsible for at least 95% of EBITDA of the Group during the relevant period.

In addition, the Borrower must hold a minimum cash balance of \$10M at all times.

The Group has complied with the financial covenants throughout the reporting periods.

Accounting policies – borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of comprehensive income over the period of the borrowing using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised and amortised over the period of the facility to which it relates. Refer to notes 1.10 and 7.1 for accounting policies and disclosures related to financial instruments respectively.

FINANCIAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. NON-CURRENT ASSETS

This section focuses on the non-current assets of the group including how management identify activities that are required to be capitalised, how balances have moved during the period, and how we have assessed whether there has been any impairment of these assets.

Most of the non-current assets held by Nuix relate to the intellectual property embedded within the software platform that has been developed (the Nuix platform). This software platform comprises a powerful, proprietary, data processing engine (called the Nuix Engine) and several software applications. It has been developed in-house, shaped by feedback from long-standing government and private sector customers, and assists customers in solving many of their complex data challenges.

The Nuix Engine is at the core of the Nuix platform and can be deployed at varying scales, for example, on a single laptop or across multiple servers depending on the volume of data that require analysis or the speed at which that analysis is to be delivered. A key part of the processing performed by the Nuix Engine is to “normalize data at its binary level.” The Nuix Engine uses parallel data processing technology to process, normalize, index, enrich and analyse data at speed and scale. Currently, the Nuix Engine can process over 1,000 file types, and this capability is expected to continue growing over time. Customers can also export data processed by the Nuix Engine to third party applications or further enrich that data, for example by merging data processed by the Nuix Engine with an existing database, creating an enhanced data set from which more informed decisions can be made. This is made possible through open application programming interfaces (or APIs) and connectors developed by Nuix.

In addition to the Nuix Engine, the Nuix platform comprises a suite of visualization, analytics and relationship-mapping software applications (Nuix Workstation, Nuix Investigate, Nuix Endpoint and Nuix Discover) that use the outputs of the Nuix Engine to provide insights and intelligence to customers in many different investigative and analytical situations. These applications have extended and continue to extend the number of use cases for the Nuix platform and assist Nuix to grow into new and broader markets.

5.1 Intangible assets

Reconciliation of carrying amount

	GOODWILL \$'000	EXTERNAL LICENSES \$'000	BRAND \$'000	INTELLECTUAL PROPERTY \$'000	TOTAL \$'000
Carrying amount at 1 July 2019					
At cost	4,422	2,111	712	199,408	206,653
Accumulated amortisation & impairment	-	(1,884)	-	(37,135)	(39,019)
Balance at 1 July 2019	4,422	227	712	162,273	167,634
Year ended 30 June 2020					
Balance at 1 July 2019	4,422	227	712	162,273	167,634
Effect of movements in exchange rates - cost	121	36	18	1,790	1,965
Effect of movements in exchange rates - accumulated amortisation & impairment	-	(28)	-	66	38
Additions	-	24	-	51,039	51,063
Disposals	-	(18)	-	(176)	(194)
Amortisation	-	(113)	-	(23,238)	(23,351)
Balance at 30 June 2020	4,543	128	730	191,754	197,155

	GOODWILL \$'000	EXTERNAL LICENSES \$'000	BRAND \$'000	INTELLECTUAL PROPERTY \$'000	TOTAL \$'000
Carrying amount at 30 June 2020					
At cost	4,543	2,153	730	252,061	259,487
Accumulated amortisation & impairment	-	(2,025)	-	(60,307)	(62,332)
Balance at 30 June 2020	4,543	128	730	191,754	197,155
Year ended 30 June 2021					
Balance at 1 July 2020	4,543	128	730	191,754	197,155
Effect of movements in exchange rates - cost	(398)	(133)	(64)	(8,438)	(9,033)
Effect of movements in exchange rates - accumulated amortisation & impairment	-	124	-	1,418	1,542
Additions	-	126	-	34,130	34,256
Disposals	-	-	-	-	-
Amortisation	-	(134)	-	(26,371)	(26,505)
Balance at 30 June 2021	4,145	111	666	192,493	197,415
Carrying amount at 30 June 2021					
At cost	4,145	2,146	666	277,753	284,710
Accumulated amortisation & impairment	-	(2,035)	-	(85,260)	(87,295)
Balance at 30 June 2021	4,145	111	666	192,493	197,415

Accounting policies – intangible assets

i. Development costs recorded as Intellectual Property

Development costs are capitalised where future economic benefits from development of a chosen alternative for new or improved software products, processes, systems or services are considered probable, and expenditure in relation to such activities is capable of reliable measurement. Future economic benefits are considered probable where commercial benefit and technical feasibility have been established. The expenditure includes all directly attributable costs, including external direct costs of materials, services, direct labour and overheads.

Other development expenditure that does not meet these criteria, which includes research activities and the expenditure on maintenance of computer software, is expensed as incurred.

ii. Goodwill

Goodwill acquired in a business combination is measured at cost and subsequently at cost less any impairment losses. The cost represents the excess of the cost of a business combination over the fair value of the identifiable assets and liabilities acquired.

iii. External software licenses

External software licenses are carried at historic cost or fair value at the date of acquisition less accumulated amortisation and impairment losses.

FINANCIAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

iv. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognised in profit or loss as it is incurred.

v. Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in profit or loss. Goodwill and brand is not amortised. Intangible assets, other than goodwill and brand, have finite useful lives. Goodwill has an indefinite useful life

Class of intangible	Depreciation rate (per year)
External software	33%
Intellectual property	10%

Significant judgements and assumptions

Capitalisation and useful life of intangible assets

Management has made judgements in respect of intangible assets when assessing whether an internal project in the development phase meets the criteria to be capitalised, and on measuring the costs and economic life attributed to such projects. On acquisition, specific intangible assets are identified and amortised over their estimated useful lives. The capitalisation of these assets and the related charges are based on judgements about their value and economic life.

Management has also made judgements and assumptions when assessing the economic life of intangible assets and the pattern of consumption of the economic benefits embodied in these assets. The economic lives for intangible assets are estimated at between three and ten years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

5.2 Property and equipment

Reconciliation of carrying amount

	OFFICE & COMPUTER EQUIPMENT \$'000	FURNITURE & FIXTURES \$'000	LEASEHOLD IMPROVE- MENT \$'000	TOTAL \$'000
Carrying amount at 1 July 2019				
At cost	9,805	1,079	3,351	14,235
Accumulated depreciation	(8,915)	(590)	(2,262)	(11,767)
Balance at 1 July 2019	890	489	1,089	2,468
Year ended 30 June 2020				
Balance at 1 July 2019	890	489	1,089	2,468
Effect of movements in exchange rates – cost	162	23	47	232
Effect of movements in exchange rates – accumulated depreciation	(137)	(8)	(16)	(161)
Additions	895	12	448	1,355
Disposals	(3)	-	-	(3)
Depreciation	(760)	(188)	(531)	(1,479)
Balance at 30 June 2020	1,047	328	1,037	2,412

	OFFICE & COMPUTER EQUIPMENT \$'000	FURNITURE & FIXTURES \$'000	LEASEHOLD IMPROVE- MENT \$'000	TOTAL \$'000
Carrying amount at 30 June 2020				
At cost	10,859	1,114	3,846	15,819
Accumulated depreciation	(9,812)	(786)	(2,809)	(13,407)
Balance at 30 June 2020	1,047	328	1,037	2,412
Year ended 30 June 2021				
Balance at 1 July 2020	1,047	328	1,037	2,412
Effect of movements in exchange rates – cost	(653)	(87)	(209)	(949)
Effect of movements in exchange rates – accumulated depreciation	603	61	131	795
Additions	815	–	236	1,051
Disposals	–	–	–	–
Depreciation	(712)	(127)	(452)	(1,291)
Balance at 30 June 2021	1,100	175	743	2,018
Carrying amount at 30 June 2021				
At cost	11,021	1,027	3,873	15,921
Accumulated depreciation	(9,921)	(852)	(3,130)	(13,903)
Balance at 30 June 2021	1,100	175	743	2,018

Accounting policies – property and equipment

i. Recognition and measurement

Items of property and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and impairment losses. If significant parts of property and equipment have different useful lives, then they are accounted for as separate items or property and equipment. Any gain or loss on disposal of an item of property and equipment is recognised in profit and loss.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that future economic benefits will flow to the Group.

iii. Depreciation

The depreciable amount of all plant and equipment is depreciated on a straight-line basis over the useful lives commencing from the time that the assets are held ready for use. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Class of plant and equipment	Depreciation rate (per year)
Office and computer equipment	33%
Furniture and fixtures	20%
Leasehold improvements	20% or lease term whichever is shorter

FINANCIAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5.3 Leases

Amounts recognised in the balance sheet

	2021 \$000	2020 \$000
Right-of-use assets, net of depreciation	9,036	12,872
Lease liabilities		
Current	2,635	3,704
Non-current	8,727	11,539
Lease liabilities	11,362	15,243
	2021 \$000	2020 \$000
RIGHT-OF-USE ASSETS		
Balance at 1 July	12,872	16,363
Termination of lease, net of accumulated depreciation	(6)	-
Remeasurement of ROU assets	80	-
Depreciation expense	(3,276)	(3,569)
Exchange difference	(634)	78
Balance at 30 June	9,036	12,872

Amounts recognised in profit or loss

	2021 \$000	2020 \$000
Depreciation charge of right-of-use assets	3,276	3,569
Interest expense (included in finance cost)	573	727
Expenses relating to short-term leases	285	350
Expenses relating to leases of low-value assets that are not shown above as short-term leases	68	15
	4,202	4,661

Accounting policies – leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) As lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative standalone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in any optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

FINANCIAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including low-value IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

At inception or on modification of a contract that contains a lease component, the group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is in intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocated consideration in the contract.

5.4 Impairment testing of non-financial assets

Key assumptions in the Group's discounted cash flow model

A value-in-use discounted cash flow model has been used at 30 June 2021 to determine the recoverable amount of the CGU, over which impairment testing is required. This model includes projected revenues, gross margins and expenses which have been determined with reference to historical company experience, industry data and management's expectation of the future.

The following inputs and assumptions have been adopted:

	2021	2020
Post-tax discount rate per annum	9.8%	9.2%
Pre-tax discount rate per annum	14.0%	13.1%
Long-term perpetuity growth rate	2.5%	2.5%

Sensitivity Analysis

Management has performed sensitivity analysis and assessed reasonable changes for key assumptions and has not identified any instances that cause the carrying amount of the CGU, over which goodwill is monitored to exceed its recoverable amount.

Accounting policies – impairment testing of non-financial assets

At each reporting date, the Group reviews the carrying values of its non-financial assets (other than contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

Significant judgements and assumptions

Impairment testing of goodwill

Determining whether goodwill is impaired requires judgement to allocate amounts of goodwill to CGUs and a combination of judgement and assumptions to estimate recoverable amounts.

Management have determined that goodwill is required to be tested at the CGU that comprises the consolidated Group, on the basis that this is where goodwill is allocated and monitored.

When Ringtail was acquired from FTI Consulting in September 2018, Nuix obtained control of the Ringtail platform (now Nuix Discover) which included its software assets and software engineering team. The goodwill recorded as of 30 June 2021 solely relates to this acquisition. Management concluded as this acquisition provided a review and analytics frontend to the Nuix Engine, and the software assets acquired were already deeply integrated with the Nuix Engine with a closely aligned customer proposition to other products from the Nuix platform, that the synergies from the acquisition would be expected to accrete to the Nuix Group CGU. As a result, the goodwill from the Ringtail acquisition is allocated to the Nuix Group CGU, and no lower-level CGUs have been identified.

The model which is used to estimate the recoverable amount, requires an estimate of the future cash flows expected to arise from the CGU, and a suitable discount rate in order to calculate the net present value.

FINANCIAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. REMUNERATION

This section focuses on the expenses recognised in relation to the remuneration of our people, which includes details of the employee benefit expenses recognised across the profit and loss, judgements related to accounting for share-based payments, and summary information for remuneration of Key Management Personnel (KMPs).

Nuix is committed to attracting and retaining the best people to work in the organisation, including Directors and senior management. A key element in achieving that objective is to ensure that the Company is able to appropriately remunerate its key people. Nuix has adopted a Remuneration Policy, the purpose of which is to establish a framework for remuneration that is designed to:

- ensure that coherent remuneration policies and practices are observed which enable the attraction and retention of Directors and management who will create value for Shareholders;
- fairly and responsibly reward Directors and senior management having regard to the Company's performance, the performance of senior management and the general pay environment; and
- comply with all relevant legal and regulatory provisions.

Refer to the Remuneration Report for detailed information related to KMPs.

6.1 Employee benefit expenses

	2021 \$000	2020 \$000
Wages and salaries		
Sales and distribution ⁵⁰	49,303	48,961
Research and development ⁵⁰	8,977	4,271
General and administration	12,806	12,456
	71,086	65,688
Share-based payment expenses		
Sales and distribution	1,139	452
Research and development	977	98
General and administration	2,511	135
	4,627	685

Accounting policies – employee benefit expenses

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.

⁵⁰ Wages and salaries expense disclosed for the research and development function (and sales and distribution function to the extent that those employees are involved in the testing of development activities), presented above are net of amounts required to be capitalised as development costs to intangible assets.

The amount of wages and salaries capitalised as development costs to intangible assets totalled \$29,245,000 during the year ended 30 June 2021 (2020: \$42,471,000), with the remaining amounts capitalised being directly attributable costs and incremental overheads of development activities.

ii. Defined contribution superannuation plans

All obligations for contributions in respect of employees' defined contribution benefits are recognised as an expense as the related service is provided.

iii. 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 high-quality corporate bond rates with terms to maturity and currency that match, as closely as possible, the estimated cash flows.

iv. Share-based payments

Share-based compensation benefits are provided to employees via the Nuix Employee Share Option Plans. The fair values of options granted under the Employee Share Option Plans are recognised as a share-based payments expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes the impact of any non-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 estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

6.2 Share-based payments

INSTRUMENTS ON ISSUE	30 JUN 2021	30 JUN 2020
Options	4,827,141	39,654,623
Performance Rights	643,273	-

	Options		Performance Rights	
	1 JUL 2020 TO 30 JUN 2021	1 JUL 2019 TO 30 JUN 2020	1 JUL 2020 TO 30 JUN 2021	1 JUL 2019 TO 30 JUN 2020
RECONCILIATION				
Opening balance (1 July)	39,654,623	41,154,823	-	-
Grant under ESOP	3,315,627	349,800	-	-
Cancellation	(38,961,508)	-	-	-
Forfeitures	(343,186)	(1,850,000)	-	-
Grant to NEDs	500,000	-	-	-
Grant under LTIP	671,585	-	-	-
Performance rights granted	-	-	643,273 ⁵¹	-
Exercised options	(10,000)	-	-	-
Closing balance (30 June)	4,827,141	39,654,623	643,273	-

51 Performance Rights lapsed in August 2021 upon release of the Preliminary Final Report.

FINANCIAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

A. Employee Share Option Plan (ESOP)

The establishment of the Nuix 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.

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

The amount of Options that vest depends upon the vesting rules of the respective Plan rules (generally three to five years). The Options vest in a series of successive equal monthly instalments beginning on the first anniversary of the vesting commencement date, subject to the option holders' continued employment.

Once vested, the options became 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. The exercise price of options is determined by a combination of internal and external valuation methodologies and presided over by the Board.

B. Grant to Non-Executive Directors

Jeffrey Bleich and Iain Lobban were each granted 250,000 options, which vested on IPO completion.

C. Grant under LTIP

On IPO completion the senior management team were granted 671,585 options.

The total number of options that will vest will depend on whether Nuix meets minimum revenue and EBITDA targets in respect of FY23, as set by the Board. Vesting for 50% of the options will be tested against a revenue target and vesting for 50% of the options will be tested against an EBITDA target. One third of the vested options will be exercisable upon the release of the Company's financial results for each of FY23, FY24 and FY25.

The options that vest will become exercisable at \$5.31 per option, subject to Nuix's Securities Trading Policy. Options that do not vest will not be exercisable. Options will expire after seven years of the date of the grant of options. Vesting and exercise of options is also subject to the rules of the Nuix Incentive Plan, including relating to continuing employment.

D. Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2021 ranged between \$1.31 and \$2.98. The fair value of each grant 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. Options are granted for no consideration and vest over different periods depending on terms.

The model inputs for options granted during the year ended 30 June 2021 included: –

	30 JUN 2021 ESOP GRANTS	31 DEC 2020 NED OPTIONS	31 DEC 2020 LTIP	31 DEC 2019 ESOP GRANTS
Exercise price	\$3.00 & \$5.79	\$5.01	\$5.31	\$2.40
Grant date	18 Nov 2020 & 8 Mar 2021	30 Sep 2020	18 Nov 2020	Generally tied to employee's hire date
Expiry date	7 years after grant date	30 Sep 2023	7 years after grant date	7 and 10 years after grant date for Australian and overseas employees respectively
Share price fair value	\$5.31 & \$4.70	\$5.31	\$5.31	\$2.40
Expected price volatility of the Company's shares	42.00% for each grant date	42.00%	42.00%	19.55%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%
Risk-free interest rate	0.94% & 0.78%	0.87%	0.94%	1.65%

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

E. Fair value of performance rights granted

The assessed fair value at grant date of the performance rights granted during was determined with reference to the fair value of shares on grant date, adjusted for any expected dividend included in the share price as of grant date. As there were no dividends expected to be paid between grant date and vesting date no adjustment to the share price on grant date is required in determining the fair value of performance rights.

As the non-market performance conditions associated the grant of the performance rights have not been met, and the service commencement date related to these share-based payments was within this financial year, the performance rights have had no impact on profit or loss for the full year.

FINANCIAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

F. Reconciliation of outstanding share options

RECONCILIATION	1 Jul 2020 to 30 Jun 2021		1 Jul 2019 to 30 Jun 2020	
	NUMBER OF OPTIONS	WEIGHTED-AVERAGE PRICE	NUMBER OF OPTIONS	WEIGHTED-AVERAGE PRICE
Opening balance (1 July)	39,654,623	\$0.84	41,154,823	\$0.84
Cancellation	(38,961,508)	\$0.84	-	-
Granted during the year	4,487,212	\$5.47	349,800	\$2.40
Forfeitures during the year	(343,186)	\$4.50	(1,850,000)	\$1.40
Exercised options	(10,000)	\$5.01	-	-
Outstanding at 30 June	4,827,141	\$5.03	39,654,623	\$0.84
Exercisable at 30 June	Nil	n/a	36,046,274	\$0.70

The options outstanding at 30 June 2021 had an exercise price in the range of \$2.00 to \$5.79 (2020: weighted average \$0.71) and a weighted-average contractual life of 5.7 years (2020: 2.0 years).

Accounting policies – share-based payments

Share-based compensation benefits are provided to employees via the Nuix Employee Share Option Plans. The fair values of options granted under the Employee Share Option Plans are recognised as a share-based payments expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes the impact of any non-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 estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

6.3 KMP Remuneration

	2021 \$	2020 \$
Short-term employee benefits	2,425,667	1,883,202
Termination benefits	197,083	-
Post-employment benefits	64,743	76,505
Long-term benefits	39,269	84,699
Share-based payment expense	1,927,356	238,803
Total	4,457,035	2,283,209

Short-term employee benefits

These amounts include salaries, fees, cash bonuses and fringe benefits paid to Key Management Personnel including executive and non-executive Directors.

Post-employment benefits

These amounts include the cost of superannuation contributions made during the year.

Other long-term benefits

These amounts represent long service leave and long-term annual leave benefits accruing during the year.

7. FINANCIAL RISKS

The Group has exposure to credit, liquidity and market risks relating to its use of debt and working capital. This section presents information about the Group's exposure to each of these risks, and its objectives, policies and processes for measuring and managing risk.

7.1 Financial risk management

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

- market risk (including currency 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 Company has principles for overall risk management covering areas such as foreign exchange risk, credit risk and derivative financial instruments.

A. Market risk

i. Foreign exchange risk

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

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

	2021			2020		
	USD	EURO	GBP	USD	EURO	GBP
Cash and cash equivalents	7,066	14,333	4,212	16,774	6,869	5,062
Trade receivables	3,848	1,392	612	4,266	614	405
Trade payables	83	113	26	148	210	8

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 in relation to the financial assets and liabilities recognised on balance sheet as of 30 June would result in an increase/(decrease) of \$1,083,000/(\$1,083,000) for the fiscal year ended 30 June 2021 (2020: \$2,089,000/(\$2,089,000)).

FINANCIAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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, contract assets and committed transactions.

For all customers in all instances the Group retains title over the software. A full-term license 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 Group 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.

Trade receivables and contract assets

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled receivables and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 30 June 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 30 June 2021 and 30 June 2020, expressed in thousands of Australian dollars was determined as follows for both trade receivables and contract assets:

	2021			2020		
	BALANCE '000	EXPECTED LOSS RATE	LOSS ALLOWANCE '000	BALANCE '000	EXPECTED LOSS RATE	LOSS ALLOWANCE '000
Current	25,017	0.9%	218	26,196	0.1%	31
30 days	2,639	1.4%	38	3,238	1.5%	50
60 days	524	5.4%	28	3,129	3.9%	123
90 days	435	11.2%	49	989	6.9%	69
Over 90 days	1,045	17.3%	181	1,639	10.6%	173
Specific provision ⁵²	694	100.0%	694	-	-	-
Total	30,354		1,208	35,191		446
Unbilled receivables	44,452	0.8%	357	25,483	0.1%	24
Total	74,806		1,565	60,674		470

⁵² As at 30 June 2021 there were \$694,000 of specifically identified impaired debtors, that have been provided for but not written off. As at 30 June 2020, all specifically identified bad debtors had been provided for and written off.

The loss allowances for trade receivables and contract assets as at 30 June reconcile to the opening loss allowances as follows:

	2021 \$000	2020 \$000
As at 1 July	470	456
Increase in loss allowance recognised in profit or loss during the year	2,225	1,082
Receivables written off during the year as uncollectible	(1,058)	(1,076)
Unused amount reversed	-	8
Foreign exchange difference	(72)	-
As at 30 June ⁵³	1,565	470

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due. Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

C. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through adequate committed credit facilities (Note 4.7) to meet financial obligations as and when they fall due. At the end of the reporting period the Group held deposits at call of \$70,865,000 (2020: \$38,539,000).

Management monitors rolling forecasts of the Group's liquidity reserve as discussed above and cash and cash equivalents (Note 4.1) on the basis of forecasted cash flows. This is 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.

⁵³ As at 30 June 2021 there were \$694,000 of specifically identified impaired debtors, that have been provided for but not written off. As at 30 June 2020, all specifically identified bad debtors had been provided for and written off.

FINANCIAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES	LESS THAN 6 MONTHS \$000	6-12 MONTHS \$000	BETWEEN 1-3 YEARS \$000	MORE THAN 3 YEARS \$000	TOTAL \$000	CARRYING AMOUNT \$000
At 30 June 2020						
Trade payables	6,770	-	-	-	6,770	6,770
Lease liabilities	2,351	1,947	7,971	4,966	17,235	15,243
Borrowings	26,555	-	-	-	26,555	25,531
	35,676	1,947	7,971	4,966	50,560	47,544
At 30 June 2021						
Trade payables	5,846	-	-	-	5,846	5,846
Lease liabilities	1,630	1,343	6,765	2,567	12,305	11,359
	7,476	1,343	6,765	2,567	18,151	17,205

D. Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. 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 borrowings approximates the carrying amount, as the impact of discounting is not significant.

8. BUSINESS STRUCTURE

This section focuses on the structure of the group, specifically movements in issued capital and reserves.

8.1 Issued capital

MOVEMENTS IN ORDINARY SHARES	2021 SHARES	2020 SHARES	2021 \$000	2020 \$000
Opening balance	265,400,633	265,400,633	104,227	104,227
Shares issued on IPO, net of costs	51,904,161	-	275,611	-
Shares issued on option exercise	10,000	-	50	-
Transaction costs arising from issue of shares, net of tax	-	-	(9,192)	-
Closing balance	317,314,794	265,400,633	370,696	104,227

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. The issued shares do not have a par value.

Management controls the capital of the Group in order to maintain an appropriate 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.

8.2 Reserves

Foreign currency translation reserve

The Foreign Currency Translation Reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Share-based payment reserve

A total of 38,961,408 options were cancelled on completion of the offer for cash (calculated as the Offer Price less the exercise price of the options). The Company has concluded that on 18 November 2020 when the Prospectus was published, option holders would consider it being more probable than not that their share-based payment arrangements would be cash settled (for an aggregate sum of \$175,614,000).

On the basis that part of the service period was outstanding and being performed between 18 November 2020 and listing on 4 December 2020, a portion of the amount for which the options were cancelled (\$574,000) is recognised in profit and loss as a cash settled share-based payment.

A portion of these option cancellation payments have been made to employees of the group. Through operation of various legislative requirements for the relevant jurisdictions of their employment, certain of these payments are subject to PAYG withholding obligations for employee personal taxation arrangements and other oncosts related to their employment relationship with the Group. These oncosts primarily related to payroll tax and amounted to \$1,778,000 (2020: nil) which has been recognised in profit and loss.

MOVEMENTS IN RESERVES	2021 \$000	2020 \$000
Share option reserve		
As at 1 July	(654)	(1,339)
Share-based payment arrangements	4,053	685
Cancellation of options	(175,040)	-
As at 30 June	(171,641)	(654)
Foreign currency translation reserve		
As at 1 July	5,797	3,988
Foreign currency translation reserve	(8,478)	1,809
As at 30 June	(2,681)	5,797
Total Reserves	(174,322)	5,143

FINANCIAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. OTHER

This section provides information that is not directly related to specific line items in the financial statements, including information about dividends, related party transactions, auditor's remuneration, events after the reporting date and other statutory information.

9.1 Dividends

During the year the Directors did not declare an interim dividend (2020: Nil) and have not recommended a final dividend be paid after 30 June 2021 (2020: Nil).

9.2 Related party disclosures

A. Parent entity

The ultimate and parent entity within the Group is Nuix 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
		2021	2020	2021	2020	
Nuix North America, Inc	USA	100%	100%	-	-	Sale of Software
Nuix Ireland Ltd	Ireland	100%	100%	-	-	Sale of Software
Nuix Pte Ltd	Singapore	100%	100%	-	-	Sale of Software
Nuix Holding Pty Ltd	Australia	100%	100%	-	-	Holding Company
Nuix SaleCo Limited	Australia	100%	-	-	-	Holding Company
Nuix USG Inc.	USA	100%	100%	-	-	Sale of Software
Nuix Technology UK Ltd	UK	100%	100%	-	-	Sale of Software
Nuix Philippines ROHQ	Philippines	100%	100%	-	-	Business Support

C. Option cancellation payments made to Key Management Personnel

Of the 38,961,508 options cancelled during the year, 9,400,000 options were held by KMPs at the time. The total value of the option cancellation payments made to option holders who were KMPs at the time of the payment was \$34,816,750.

D. Transactions with other related parties

Macquarie Corporate Holdings

Macquarie Corporate Holdings has an interest of 30% in Nuix (2020: 66%), which allows it to exercise significant influence over the Group. As a result, Macquarie Corporate Holdings and by extension all related entities of Macquarie Group Limited, are related parties to Nuix.

Nuix entered into an Underwriting Agreement with Macquarie Capital (Australia) Limited and Morgan Stanley Australia Limited as Joint Lead Managers in relation to the IPO. The terms of this agreement were that the Company pay the Joint Lead Managers an underwriting fee of 1.60%, and a management and selling fee of 0.40% of the Offer proceeds. Additionally, the agreement provides that Nuix may also, in its absolute discretion, pay to one or both of the Joint Lead Managers an incentive fee of up to 1.00% of the total Offer proceeds. The agreement also provides that the Company has agreed to reimburse the Joint Lead Managers for costs and expenses incurred by the Joint Lead Managers in relation to the Offer.

Amounts paid to Macquarie Capital (Australia) Limited in relation to the Underwriting Agreement (excluding any reimbursement for costs and expenses incurred by the Joint Lead Managers in relation to the Offer) are disclosed below (excluding GST).

		2021 \$		2020 \$
	TRANSACTION	OUTSTANDING BALANCE	TRANSACTION	OUTSTANDING BALANCE
<i>Sale and purchases of goods and services</i>				
Underwriting fees	14,462,295	-	-	-
Sale of goods to other related parties	-	8	46,296	4,705
Support and maintenance ⁵⁴	112,083	-	112,083	-
Purchase of service from other related party	36,215	-	676	-

Daniel Phillips and David Standen

Nuix has not been charged any fees in relation to the remuneration of Daniel Phillips or David Standen.

Dr. Anthony Castagna – reimbursement of fees for legal advice related to the IPO

In August 2020, each major shareholder (including Blackall Limited) was requested to provide certain information relevant to potential disclosure in the IPO Prospectus, and their respective capacities to deal in the shareholder's Nuix shares both for the IPO and a possible trade sale. Blackall Limited is a New Zealand incorporated company and legal and beneficial owner at the time of the IPO Prospectus of shares and options related to Nuix, which are ultimately owned by Delrick Limited, a company limited by guarantee incorporated in Vanuatu which maintains a retirement fund for Nuix co-founder Dr Anthony Castagna.

These were complex issues, for which legal advice was obtained by Blackall Limited, that enabled appropriate disclosure to be made in the IPO Prospectus. It was agreed that these fees totalling \$122,022 would be reimbursed on that basis.

⁵⁴ Portion of total transaction value from the sale of a subscription licence disclosed in the financial statements for the year ended 30 June 2019 which was allocated to the support and maintenance performance obligations and is required to be recognised over time.

FINANCIAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9.3 Auditor's remuneration

	2021 \$	2020 \$
PricewaterhouseCoopers Australia (Auditors of the Group)		
Audit of financial reports		
Audit of financial reports	1,159,158	300,000
Other statutory assurance services		
Other assurance services	3,381,607	42,785
Total for audit and other assurance	4,540,765	342,785
Other services		
Tax advisory services	645,743	19,866
Tax compliance services	14,760	8,415
Total for other non-audit services	660,503	28,281
Total for PricewaterhouseCoopers Australia	5,201,268	371,066
Other auditors and their related network firms		
Audit and review of financial statements	68,623	75,284
Other statutory assurance services	89,832	620
Total services provided by other auditors	158,455	75,904

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 relevant. The other assurance services in the current year primarily related to PricewaterhouseCoopers role as Investigating Accountant.

9.4 Parent or the Company financial information

	2021 \$000	2020 \$000
Current assets	89,397	42,550
Non-current assets	205,763	198,277
Total assets	295,160	240,827
Current liabilities	24,669	42,218
Non-current liabilities	2,645	12,700
Total liabilities	27,314	54,918
Net assets	267,846	185,909
Equity		
Issued capital	370,696	104,227
Retained earnings	68,782	82,327
Reserves	(171,632)	(645)
Total equity	267,846	185,909
(Loss)/profit for the year	(13,546)	19,862

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 in so far as investments in subsidiaries are recognised at cost.

9.5 Contingencies

On the basis that Group has determined the below matters to be contingent liabilities, no liabilities have been recognised in the financial statements in relation to these matters.

Sheehy litigation

In November 2019, Nuix compromised a claim and formal proceedings brought by former CEO, Eddie Sheehy under which Nuix agreed to consent to a form of declaration proffered by Mr Sheehy being made by the Supreme Court of NSW in the form of Judgment. Pursuant to that compromise, the Supreme Court made a declaration that '453,273 options granted over unissued shares of Nuix held by Mr Sheehy are exercisable on the occurrence of a sale of Nuix's business' in accordance with an options agreement between the parties made in September 2008 (the Judgment). In accordance with the Judgment, Nuix's options register records that Mr Sheehy holds 453,273 options, each over one share at an exercise price of \$2.00 per option and without an expiry date.

FINANCIAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Despite the 2019 Judgment, on 23 October 2020 Mr Sheehy commenced proceedings against Nuix in the Federal Court of Australia alleging that Nuix has acted inconsistently with the terms of the 2008 options agreement and has acted in an oppressive, unfairly prejudicial, unfairly discriminatory and/or unconscionable way against him. Mr Sheehy seeks orders to the effect that a sale of business for the purposes of the 2008 options agreement has occurred and that he is now entitled to exercise, and has validly exercised on 27 January 2021, his 453,273 options in return for 22,663,650 shares in Nuix as a result of a 1 for 50 share split conducted by Nuix in March 2017. Mr Sheehy alleges that it was an implied term of his 2008 options agreement with Nuix that 'if the shares of Nuix were split by a particular divisor, upon exercise of the options Mr Sheehy would be issued with the number of shares set out in the 2008 Option Agreement multiplied by the divisor, and that the exercise price of the options would be the exercise price divided by the divisor'.

Mr Sheehy seeks declarations as to his alleged entitlements, compensation and damages.

Nuix rejects Mr Sheehy's claim in its entirety and is defending the proceedings. In particular, Nuix maintains that the dispute was properly compromised and validly determined by the Judgment issued by the NSW Supreme Court in 2019 and it is not open for Mr Sheehy to seek to re-litigate the issue, that Mr Sheehy's options were not the subject of the 2017 share split as a result of the express terms of the 2008 option agreement and that, in any event, no 'sale of the business' of the kind contemplated by the parties in the 2008 options agreement has occurred with the effect that none of Mr Sheehy's options are presently exercisable at all.

The matter is not yet scheduled for a hearing.

If Mr Sheehy's new claim were successful, it may result in an additional 22,210,377 shares becoming issuable in relation to Nuix's equity-based compensation schemes and/or a potential damages payment. The damages sought by Mr Sheehy have not yet been specified by him. On 27 January 2021, Mr Sheehy purported to exercise his 453,273 options in respect of 22,663,650 Nuix shares. Nuix does not accept that any options held by Mr Sheehy are currently exercisable and the purported exercise was declined. While Mr Sheehy has not articulated the amount of damages or compensation he seeks, if he was to be successful in establishing his claims, damages are likely to be calculated by reference to the value of the opportunity Mr Sheehy may have had to be issued with 22,663,650 shares following his 27 January 2021 purported exercise of options versus the value of those shares at the time of any judgment in the proceedings. If Mr Sheehy was to be unsuccessful in relation to his claims, he would not be entitled to any payment from Nuix.

ASIC Investigation

As previously disclosed to the market (most recently on 2 September 2021), ASIC is conducting an investigation in relation to potential contraventions of the Corporations Act concerning Nuix. ASIC's investigations relevantly concern: 1) the financial statements of Nuix Limited for the period ending 30 June 2018, 30 June 2019 and 30 June 2020; 2) Nuix's prospectus dated 18 November 2020; and 3) Nuix's market disclosure in the period between the period 4 December 2020 to 31 May 2021. Nuix remains confident that it has complied with its accounting and disclosure obligations.

Nuix has not received any indication of what (if any) action ASIC may take following the conclusion of any investigation.

Class Action Risk

In the period since Nuix was listed on the ASX, it has become aware of various media reports of class actions law firms considering potential class actions against Nuix in relation to its prospectus or market disclosure. No claim of that nature has yet been filed and no party has made any contact with Nuix in relation to any such claim. Nuix remains confident that it has complied with its accounting and disclosure obligations.

Bank guarantee

The Company has obtained a bank guarantee in the amount of \$746,460 to secure certain obligations of the Company that arise under a commercial property lease.

Accounting policies – contingent liabilities

A provision is recognised when:

- there is a legal or constructive obligation arising from past events or, in cases of doubt over the existence of an obligation (e.g. a court case), when it is more likely than not that a legal or constructive obligation has arisen from a past event;
- it is more likely than not that there will be an outflow of benefits; and
- the amount can be estimated reliably.

In some cases, it may be disputed whether certain events have occurred or, particularly in the case of a legal claim, it may be disputed whether there is an obligation even if it is clear that there is a past event. In such cases of uncertainty, a past event is deemed to give rise to a present obligation if, after taking account of all available evidence, it is more likely than not that a present obligation exists at the reporting date. Otherwise, such an obligation is a contingent liability.

Contingent liabilities are not recognised in the statement of financial position except for certain contingent liabilities that are assumed in a business combination. Contingent liabilities are reviewed continuously to assess whether an outflow of resources has become probable. If the recognition criteria are met, then a liability is recognised in the statement of financial position in the period in which the change in probability occurs.

If a present obligation relates to a past event, the possibility of an outflow is probable and a reliable estimate can be made, then the obligation is not a contingent liability, but instead is a liability for which a provision is required to be recognised.

Contingent liabilities are disclosed unless the likelihood of an outflow of resources embodying economic benefits is remote.

Significant judgements and assumptions

Assessing whether past events give rise to present obligations

In determining the accounting for matters where there is a potential outflow of benefits, the key judgements and assumptions required to be made relate to whether an obligation has arisen.

Where on balance it has not been determined that it is more likely than not that a present obligation for an outflow of benefits exists at reporting date, such a liability is a contingent liability.

As contingent liabilities are generally not recognised in the statement of financial position (except for those assumed in a business combination), concluding that it is not more likely than not that a present obligation does exist, has the result that no accounting entries are booked and there is no impact reported in profit or loss.

FINANCIAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9.6 Events after the reporting date

As previously disclosed to the market (most recently on 2 September 2021), Nuix understands that ASIC is conducting an investigation in relation to potential contraventions of the Corporations Act concerning Nuix. Nuix understands that ASIC's investigations relevantly concern: 1) the financial statements of Nuix Limited for the period ending 30 June 2018, 30 June 2019 and 30 June 2020; 2) Nuix's prospectus dated 18 November 2020; and 3) Nuix's market disclosure in the period between the period 4 December 2020 to 31 May 2021. Nuix remains confident that it has complied with its accounting and disclosure obligations. Nuix has not received any indication of what (if any) action ASIC may take following the conclusion of any investigation.

As noted in Note 4.7 of this report, for the abundance of caution Nuix has obtained waivers from CBA of potential technical or administrative breaches of CBA Facility Agreement (which was initially entered into in 2014), including a waiver until 20 November 2021 of any breaches which may have arisen as a result of the ASIC investigation. This waiver was entered into post the end of the financial year. The Company had fully paid all of those facilities as of 30 June 2021 and has not drawn down any additional funding since 30 June 2021. Nuix Limited continues to review its various financing options and requirements, which may include restructuring or refinancing its existing facilities, entering into new financing arrangements with a third party and/or cancelling facilities entirely.

On 13 September 2021, the Group announced that it has entered into an agreement to acquire all the shares in Topos Labs, Inc. (Topos) a developer of Natural Language Processing (NLP) software that helps computer systems better understand text and spoken words at speed and scale. The initial cost of the acquisition is USD \$5 million on financial close, with the potential for a further USD \$20 million comprised of USD \$18.5m cash payable to the sellers of the shares in Topos, and up to USD \$1.5 million in performance rights payable over 30 months.

The performance rights are granted to certain Topos team members who join Nuix and continue to provide services to Nuix during the period between closing and at the time of conversion of the performance rights. The additional cash consideration is only payable, and the performance rights will only convert into ordinary shares, on achievement of revenue, staff retention and product development milestones, each of which relate directly to the further development of the Artificial Intelligence driven NLP platform and its successful integration into the Nuix environment.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Nuix Limited, we state that:

1. In the opinion of the Directors of Nuix Limited (the 'Company'):
 - a) the consolidated financial statements and notes that are set out on pages 88 to 140 and the Remuneration Report on pages 65 to 87, are in accordance with the *Corporations Act 2001*, including:
 - i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
 - ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
2. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the financial year ended 30 June 2021.
3. The Directors draw attention to Note 1.2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

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

SIGNED:



Jeffrey Bleich

Chairman

Sydney, Australia
30 September 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS



Independent auditor's report

To the members of Nuix Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Nuix Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2021
- 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 significant accounting policies and other explanatory information
- 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 auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & 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.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

The principal activities of the Group continue to be the development and distribution of software.



Materiality	Audit scope	Key audit matters
<ul style="list-style-type: none"> For the purpose of our audit we used overall Group materiality of \$1.5 million, which represents approximately 5% of the Group's profit before tax, adjusted for the Initial Public Offering ('IPO') related costs. We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. We adjusted for the impact of IPO-related costs as these are 	<ul style="list-style-type: none"> Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. The Group operates across the Americas, Europe and the Asia Pacific region. The Group head office is based in Sydney. 	<ul style="list-style-type: none"> Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: <ul style="list-style-type: none"> Revenue recognition Development costs recorded as intellectual property assets Accounting for IPO and related transactions Share based payments Claims and contingencies Uncertain tax positions Impairment assessment of intangible assets These are further described in the <i>Key audit matters</i> section of our report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS (CONTINUED)

infrequently occurring items
impacting profit and loss.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>Revenue recognition (note 2.1)</p> <p>The Group used a model to determine stand-alone prices and allocate revenue for multiple element contracts and then recognised revenue according to the accounting policy for each revenue stream.</p> <p>Revenue recognition for multiple element contracts was a key audit matter due to its financial significance and the judgements and assumptions required to determine the stand-alone selling prices.</p> <p>Revenue recognition for partners was a key audit matter due to the judgements and assumptions required to determine whether the partner or the end user is the customer for accounting purposes.</p>	<p>We performed the following procedures, amongst others:</p> <ul style="list-style-type: none"> • Developed an understanding of and evaluated the design effectiveness of the key systems underpinning each of the material revenue streams and the relevant business process controls. • Evaluated the Group's standalone selling price allocation methodology for each material revenue stream to assess whether the resulting revenue recognition was in accordance with Australian Accounting Standards. • Tested the mathematical accuracy of the model used to allocate contractual value for software licence, maintenance and support performance obligations and obtained supporting documents, such as contracts and software licence agreements for the assumptions and data used in the model. • On a sample basis, obtained key supporting documentation such as contracts and software agreements, to check that the transactions occurred and that they were recognised in accordance with the Group's revenue recognition policy. • For a sample of transactions, obtained supporting documentation such as contracts and agreements to evaluate termination rights which could impact the recognition of revenue.

Development costs recorded as intellectual property assets (note 5.1)

Capitalisation of software development costs was a key audit matter due to:

- the judgement required in determining which activities undertaken by the Group under their agile software development approach are required to be capitalised
- the significance of the level of development costs being capitalised
- the judgement required about the allocation of costs attributable to activities that are required to be capitalised, a key input of which is data from key software development work management systems.

- With respect to sales made via the reseller channel, evaluated the appropriateness of accounting judgements relating to the determination of revenue by obtaining key supporting documentation.
- Evaluated whether revenue was recorded in the correct period by obtaining supporting documents for a sample of transactions that were recorded during a defined risk period before and after year end.
- Evaluated the adequacy of disclosures in light of the requirements of Australian Accounting Standards.

Together with PwC IT specialists, we performed the following procedures, amongst others:

- Assessed the Group's accounting policies and methodology using our knowledge of the business and through discussions with various stakeholders, including those in the research & development (R&D) function.
- Developed an understanding of and evaluated the Group's relevant R&D processes and how the R&D team uses key software development work management systems to record their activities.
- Developed an understanding of and evaluated the design effectiveness of the IT general controls over relevant systems.
- Assessed how the Group calculated the capitalisation rate for salaries and wages and other costs including:
 - Obtaining an understanding of the nature of activities, task descriptions and classifications used in the Group's systems
 - Investigating the nature of activities and tasks through enquiry of the relevant product managers
 - Assessing if the costs meet the criteria in Australian Accounting Standards for capitalisation.
- Assessed the reliability of the system generated report used by the Group in determining the capitalisation rate.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS (CONTINUED)

Accounting for IPO and related transactions (note 2.3, 8.1 & 8.2)

The Group has recognised IPO transaction costs in profit and loss and in equity for the year ended 30 June 2021.

During the year, the Group completed an IPO and became listed on the Australian Stock Exchange (ASX), raising funds through the issue of ordinary shares.

At around the same time, certain share options were cancelled for cash consideration.

Under Australian Accounting Standards, the Group had to determine when the share options' classification changed from 'equity settled' to 'cash settled' and this required judgement about when the constructive obligation to deliver cash to option holders arises. Following this date, the difference between the unamortised fair value at grant date and the cash payment is recognised in profit and loss.

The option cancellation also results in withholding tax and there was judgement needed regarding the accounting treatment of the withholding tax, as well as the tax deductibility of these options.

In addition, the Group incurred significant transaction costs in relation to the IPO, the treatment of which required judgement regarding the allocation of these costs between equity and expenses under Australian Accounting Standards.

The Group's accounting for the option cancellation payments and transaction costs related to the IPO was a key audit matter as they both involved significant judgement by the Group.

- For a sample of salaries and wages data used to determine the amount of capitalised software development costs, obtained relevant pay slips to check the amounts and classification of the employees as R&D personnel.

Our procedures over the IPO related transactions included the following, amongst others:

- With respect to the IPO, agreed the cash received on share issue, and cash payments made upon cancellation of options to the Group's bank statements.
- For a sample of transaction costs, obtained relevant invoices to assess the allocation of the IPO transaction costs between expenses and equity and whether they were accounted for in accordance with Australian Accounting Standards.
- Developed an understanding of the Group's determination of the date on which the share options were re-classified as 'cash settled' and obtained supporting evidence such as board minutes, communication to employees and cancellation agreements with employees.
- Together with PwC tax experts:
 - Developed an understanding of the withholding tax payments made in connection with the option cancellation payments and evaluated whether they were accounted for appropriately in accordance with Australian Accounting Standards.
 - Evaluated and assessed the Group's treatment in respect of deductibility of the IPO transaction costs and the option cancellation payments.
- Evaluated the adequacy of disclosures in light of the requirements of Australian Accounting Standards.

Share-based payments (note 6.2)

Accounting for share-based payments was a key audit matter due to the judgements required in determining the grant date and key valuation input assumptions.

Together with PwC valuations experts, our procedures over share-based payments expense included the following, amongst others:

- We tested the mathematical accuracy of the model and, assessed the share-based payment models and key assumptions (such as volatility rates) used to determine the fair value of the share-based payment options.
- Assessed whether the share-based payments were recognised in accordance with Australian Accounting Standards by agreeing on a sample basis for grants, forfeitures and accelerations to award letters issued and other relevant documents during the period.
- Evaluated the adequacy of disclosures in light of the requirements of Australian Accounting Standards.

Claims and contingencies (note 9.5)

The Sheehy litigation was a key audit matter because the outcome is uncertain and the Group has used judgement in determining the appropriate financial reporting outcome with respect to an unresolved claim relating to the options held by a former key management personnel (KMP).

Our procedures over claims and contingencies included the following, amongst others:

- Obtaining legal confirmations with respect to any open legal matters.
- Together with a barrister auditor expert:
 - made enquiries of management's external legal counsel, read position papers, relevant legal advice and correspondence
 - considered possible legal outcomes and scenarios
 - assessed the consistency of the disclosure with the evidence provided by the Group.
- Evaluated the adequacy of disclosures in light of the requirements of Australian Accounting Standards.

Uncertain tax positions (note 3.4)

The Group's financial reporting treatment of uncertain tax positions relating to the Endpoint project was a key audit matter because of the judgements applied in assessing the likelihood that

Together with our taxation experts, our procedures over uncertain tax positions included the following, amongst others:

- Evaluated the Group's approach to reflect the uncertain tax position in the financial report in light of requirements under Australian Accounting Standards

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS (CONTINUED)

the relevant taxation authorities will accept the position adopted in the Group's tax filings.

- Evaluated the evidence available including correspondence with taxation authorities and enquiries with management and taxation authorities.
- Evaluated the adequacy of disclosures in light of the requirements of Australian Accounting Standards.

Impairment assessment of intangible assets (note 5.4)

The Group's testing of intangible assets for impairment was a key audit matter, given the financial significance of intangible assets and the judgements applied in assessing the forward-looking assumptions the Group used in their value in use model.

Together with our valuation experts, our procedures over the impairment of intangible assets included the following, amongst others:

- Evaluated the Group's determination of the cash generating unit (CGU) and the determination that goodwill is tested within a single CGU, based on our understanding of the Group's business and assessment of how earnings are monitored and reported internally.
- Assessed the impairment testing methodology used by the Group and evaluated whether it meets the requirements of Australian Accounting Standards.
- Tested the mathematical accuracy of the Group's value in use model.
- Assessed the Group's cash flow projections including consideration of historical accuracy of management forecasting and historical results.
- Evaluated the Group's assumption for terminal growth rate and discount rate in comparison to economic and industry forecasts
- Evaluated the adequacy of disclosures in light of the requirements of Australian Accounting Standards.

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 2021, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the directors' report. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or 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.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the 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 the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS (CONTINUED)

Report on the remuneration report

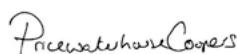
Our opinion on the remuneration report

We have audited the remuneration report included in pages 63 to 87 of the directors' report for the year ended 30 June 2021.

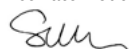
In our opinion, the remuneration report of Nuix Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.



PricewaterhouseCoopers



Scott Walsh
Partner

Sydney
30 September 2021

SHAREHOLDER INFORMATION

SHAREHOLDER INFORMATION

The shareholder information set out below is applicable at 23 September 2021.

Number of Equity Security Holders

Number of holders of Ordinary equity securities	21,988
Number of holders of unquoted Options	14
Number of holders of unquoted Performance Rights	10

VOTING RIGHTS

The voting rights attaching to each class of equity securities 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.

Options

Holders of Options do not have any voting rights.

Performance rights

Holders of Performance Rights do not have any voting rights.

DISTRIBUTION OF EQUITY SECURITIES

Analysis of number of holders of quoted Ordinary Shares by size of holding:

RANGE	SECURITIES	%	NO. OF HOLDERS	%
100,001 and Over	249,955,515	78.77	71	0.32
10,001 to 100,000	32,294,594	10.18	1,320	6.00
5,001 to 10,000	11,835,029	3.73	1,552	7.06
1,001 to 5,000	18,090,954	5.70	7,154	32.54
1 to 1,000	5,138,702	1.62	11,891	54.08
Total	317,314,794	100.00	21,988	100.00

SHAREHOLDER INFORMATION (CONTINUED)

Analysis of number of unquoted Options holders by size of holding:

RANGE	SECURITIES	%	NO. OF HOLDERS	%
100,001 and Over	1,459,716	76.32	7	50.00
10,001 to 100,000	452,920	23.68	7	50.00
5,001 to 10,000	0	0.00	0	0.00
1,001 to 5,000	0	0.00	0	0.00
1 to 1,000	0	0.00	0	0.00
Total	1,912,636	100.00	14	100.00

Analysis of number of unquoted Performance Rights holders by size of holding:

RANGE	SECURITIES	%	NO. OF HOLDERS	%
100,001 and Over	0	0.00	0	0.00
10,001 to 100,000	342,755	100.00	10	100.00
5,001 to 10,000	0	0.00	0	0.00
1,001 to 5,000	0	0.00	0	0.00
1 to 1,000	0	0.00	0	0.00
Total	342,755	100.00	10	100.00

SUBSTANTIAL HOLDERS

Substantial holders as disclosed in substantial holding notices given to the Company are:

NAME	NUMBER HELD	PERCENTAGE %
Macquarie Group Limited	97,635,132	30.77%
UBS Group AG	20,625,110	6.50%
ECP Asset Management Pty Ltd	15,934,458	5.06%

MARKETABLE PARCEL

The number of holders holding less than a marketable parcel of Ordinary Shares	3,338
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TWENTY LARGEST QUOTED EQUITY SECURITY HOLDERS

The names of the twenty largest holders of quoted Ordinary Shares are listed below:

Ordinary shares

	NAME	NUMBER HELD	% OF ISSUED SHARES
1	Macquarie Corporate Holdings Pty Ltd	95,654,262	30.14
2	J P Morgan Nominees Australia Pty Limited	39,440,937	12.43
3	HSBC Custody Nominees (Australia) Limited	22,177,570	6.99
4	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	18,800,843	5.92
5	Blackall Limited	13,345,750	4.21
6	Brispot Nominees Pty Ltd <House Head Nominee A/C>	8,334,009	2.63
7	Citicorp Nominees Pty Limited	6,790,011	2.14
8	BNP Paribas Noms Pty Ltd <DRP>	5,971,448	1.88
9	National Nominees Limited	5,716,916	1.80
10	Jewelcross Pty Ltd Schwartz Children Trust	4,333,368	1.37
11	Kin Group Pty Ltd	4,160,412	1.31
12	HSBC Custody Nominees (Australia) Limited – A/C 2	3,982,307	1.26
13	Mr David Alexei Sitsky	1,750,000	0.55
14	Qualitas Services Pty Ltd Vawdrey Family	1,580,509	0.50
15	BNP Paribas Nominees Pty Ltd <IB Au Noms Retail client DRP>	1,224,737	0.39
16	Merrill Lynch (Australia) Nominees Pty Limited	1,054,502	0.33
17	Mr Daniel Peter Noll	1,000,000	0.32
18	One Managed Invt Funds Ltd <Sandon Capital Inv Ltd A/C>	914,139	0.29
19	Stephen Doyle	834,370	0.26
20	Marich Nominees Pty Ltd <R Marich Superannuation A/C>	767,370	0.24
	Total	237,833,460	74.95
	Balance of register	79,481,334	25.05
	Grand total	317,314,794	100.00

RESTRICTED SECURITIES OR SECURITIES SUBJECT TO VOLUNTARY ESCROW

There are no restricted securities or securities subject to voluntary escrow.

ON-MARKET BUY-BACK

There is no current on-market buy-back.

CORPORATE DIRECTORY

REGISTERED OFFICE

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registrars@linkmarketservices.com.au
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EXCHANGE

Nuix shares are listed on the Australian Securities Exchange (ASX)

INVESTOR RELATIONS

investor@nuix.com

COMPANY SECRETARY

Michael Egan

AUDITOR

PricewaterhouseCoopers

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