MARKET RELEASE
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Annual Report

Sydney, Australia – Global software company Nuix ('the Company', ASX: NXL) attaches the 2022 Annual Report.

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

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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.

For further information, please visit investors.nuix.com

Annual Report
2022

Finding Truth In A Digital World

Contents

ASX: NXL
Listed on the ASX

Australia
Headquartered in Sydney, Australia

475
Staff worldwide

Nuix is a leader in investigative analytics and intelligence at scale

Performance Highlights

ACV has become an increasingly useful management metric over the course of 2022, as it gives an indication of the annualised "run rate" of Nuix's contract value at a given point in time.

FY22 Key Financial Metrics

$162.0m

ANNUALISED CONTRACT VALUE (ACV)

Down 2.3% on FY21

$152.3m

STATUTORY REVENUE

Down 13.5% on FY21

$46.8m

NET CASH

Down from $70.9m in FY21

$12.1m

EBITDA

Down 82.0% on FY21 pro forma

87.9%

GROSS MARGIN

Down from 89.3% in FY21

5.4%

CUSTOMER CHURN

Up from 3.7% in FY21

96.8%

NET DOLLAR RETENTION

Up from 95.5% in FY21

91.6%

SUBSCRIPTION ACV

Up from 88.5% in FY21

$28.4m

CONSUMPTION ACV

Up 40.6% on FY21

The Power of the Nuix Engine

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.

One of Nuix's key strengths is the data processing capability delivered by the Nuix engine. The engine is the core of the platform and enables revenue generation across multiple use cases.

Nuix makes data searchable, whether it is structured, semi-structured or unstructured data. The Nuix engine can process more than 1,000 file types, 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.

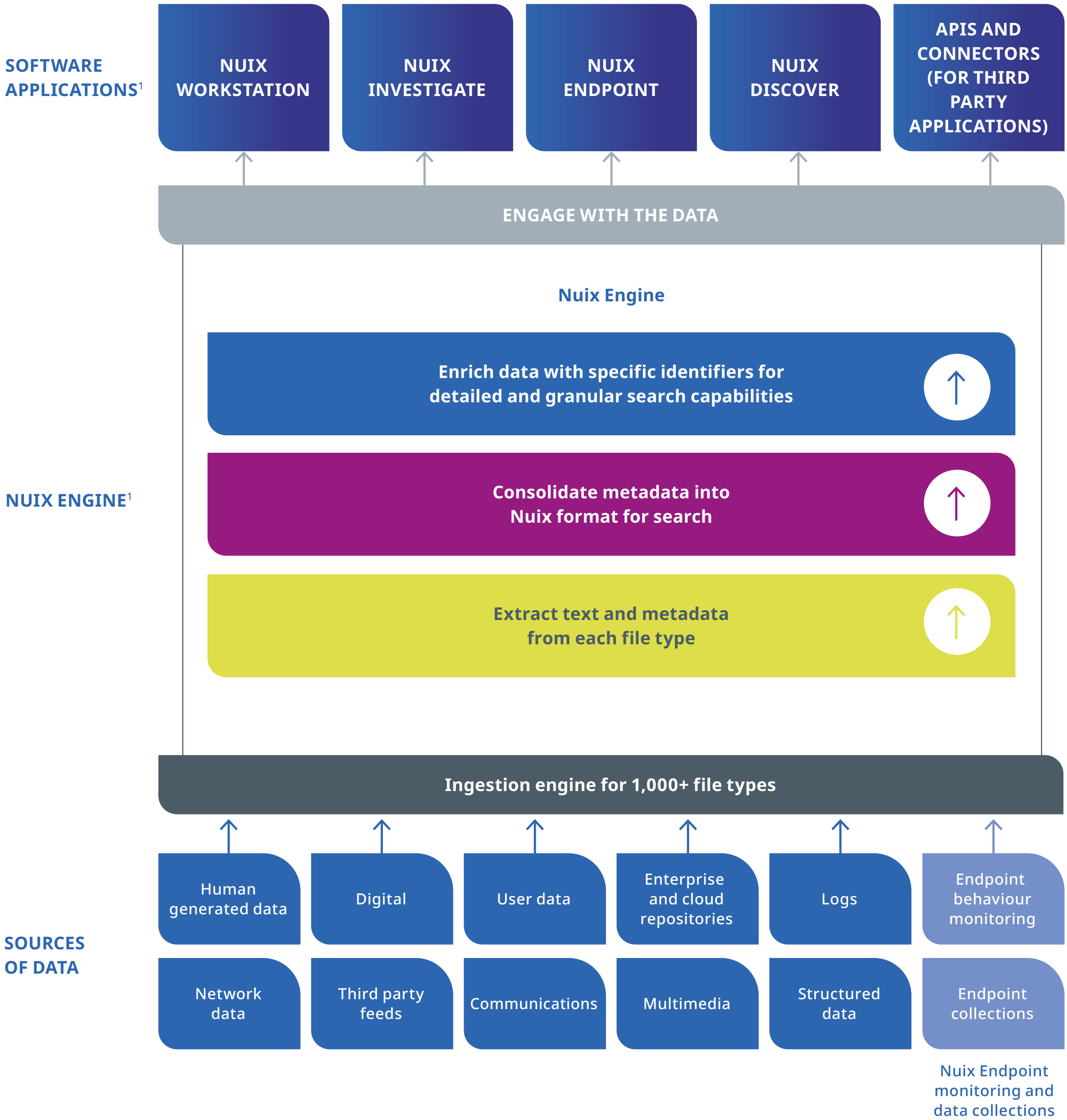
Nuix's software is used by many of the world's leading organisations in critical work such as digital forensic investigation, financial crime, litigation support, employee and insider investigations, data protection and privacy, data governance and eDiscovery and regulatory compliance.

The Nuix platform comprises the power of the Nuix Engine and associated software applications – Nuix Discover, Nuix Investigate, Nuix Enterprise Collection Centre, Nuix Adaptive Security and APIs and connectors for third party applications.

The Nuix technology has been developed in house and shaped by feedback from long-standing customers over almost two decades. The power of the Nuix Engine means not only searching at speed and scale, but also identifying intelligence, patterns and correlations to help solve complex data-related challenges.

Important progress on critical R&D projects, including:

- Further development on integrated SaaS platform
- NLP integration
- FedRAMP High development



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

Chairman's Letter

The only true constant in life is change. This has been true since before Heraclitus coined that phrase in Ancient Greece. But today, the rate of change would stun all prior generations. We live in a world where the explosion of data use is disrupting every area of society at unprecedented scale. For human beings worldwide to regain a sense of control over the cadence of change, we all need to better understand the rapidly changing data environments and devise tools to respond at pace.

Nuix and its world-renowned engine was developed with this mission in mind. Nuix's Founding Engineer and now Chief Scientist, David Sitsky, and his team conceived Nuix technology in the early 2000s, recognising that the coming tsunami of data would overwhelm us if we were not careful to develop tools for managing its force and flow. While data points and their uses have morphed in ways that no one imagined back then, the structure the team built has proved to be extraordinarily durable, and has scaled and adapted to meet exponentially growing needs. Nuix has continually evolved and adapted to a rapidly changing environment, both in terms of the technology we use and the skills of our committed and talented staff. And so today we remain a leader in making data searchable in all forms so that it is usable to our customers. The longevity of our client relationships confirms the power of that original vision. Today, Nuix is a world leader in finding patterns and meaning in structured, semi-structured and unstructured data. Our extraordinary technology, combined with our talented global team, has positioned Nuix to solve new and even more complex and challenging problems for governments, law enforcement, regulated industries, advisors, and vital NGOs around the world, and raised market expectations as well.

We recognise that Nuix's financial results have not met the expectations of many of our stakeholders, including shareholders. Nor have those results met Management's expectations of this company's potential. So we have done what was required, and we have changed. We have changed the composition of the Board. We have changed much of the company's senior leadership team. And we have scrutinised our own performance to identify gaps in execution and areas for improvement and growth. Today, Nuix is ready to take the next steps in its evolution, with a new leadership team, a new strategic direction and ongoing technology investment. What hasn't changed is the vision that draws the world's most talented engineers to come and to stay at Nuix. They are here to make a meaningful difference in solving our customers' most difficult data-related challenges.

The refreshed strategy undertaken by the new leadership team has earned the Board's endorsement, because it provides the roadmap to Nuix realising its full potential. Our customers seek integrated platforms that simultaneously solve overlapping use cases for data from different parts of their organisation. Increasingly, they want cloud-based offerings that are based on consumption rates rather than subscriptions. They want natural language processing capabilities by which AI synthesises data for them and explains it in plain language. And they want programs that combine the efficiency of "plug and play" with the flexibility and adaptability of custom solutions. They also wanted a single point of contact, and a more efficient and responsive structure. The revamped approach that we've developed allows our people, shareholders and customers to better understand how our commercial offering realises value for them and new ways to expand with us.

Change at the Top: Management and Board Evolution

Nuix's previous Chief Executive Officer, Rod Vawdrey, announced in June 2021 that he would retire from the role once the Company was able to complete a proper search and effect an orderly transition. Following an extensive global search, Nuix announced in October 2021 the appointment of Jonathan Rubinsztein as Rod's successor as Chief Executive Officer and Executive Director. Jonathan is a seasoned technology executive with a track record of leading dynamic organisations in international environments and driving strategic transformations to create shareholder value. Since formally joining Nuix in December 2021, Jonathan has been instrumental in moulding and driving the strategic refresh initiatives that will enable Nuix to

fulfil its potential. Jonathan's strengths in strategic thinking, global viewpoint, tremendous energy and commitment to culture have already been evident in the short time he has been with the company.

Along with the CEO transition, the Board was also pleased to announce that Chad Barton had accepted the role of Chief Financial Officer on a permanent basis. As an accomplished and highly experienced listed company executive, Chad is an outstanding addition to the Nuix team, driving important initiatives and changes not only across the Finance function but across the broader organisation. In recognition of this, in May 2022 Chad's role was expanded to include Chief Operating Officer, incorporating additional responsibilities including IT, legal and risk.

Also in October 2021, the Board was expanded through the addition of two new independent Non-Executive Directors: Rob Mactier and Jackie Korhonen. Rob's significant ASX-listed company and capital markets experience has added an important dimension to the Board's capabilities. Jackie brings significant technology industry experience, along with great business acumen and judgment to the role.

In November 2021 the Board announced further steps on its evolution pathway, with increased responsibilities for Rob and Jackie. Rob was appointed to the newly created position of Deputy Chair. The elevation of Rob to this role further strengthens Board processes and facilitates enhanced international coordination given the global profile of our members. In addition, Jackie became Chair of the Remuneration and Nominations Committee. Since Jackie's appointment to the role all Sub-Committee Chair positions are now occupied by independent directors, consistent with previous statements on Nuix's governance evolution.

In August 2022, Dan Phillips announced he was stepping down from the Nuix Board. Dan had served on the Board since 2011 and was Nuix's longest serving Board member, including acting as Chair between 2018 and 2020. Dan made an important contribution, and Nuix benefited greatly from Dan's deep knowledge of the company, intelligence and experience. Dan's commitment to helping Nuix transition to the next chapter of its new management team, as well as the build out of an independent Board, was determined and unwavering. We are grateful for his insights and service.

ASIC Update

In late September 2022, after the release of Nuix's audited FY22 results, Nuix advised shareholders that ASIC had commenced civil proceedings in the Federal Court against the Company and its directors during the period 18 January 2021 to 21 April 2021.

ASIC alleges that aspects of the Company's market disclosure in that period contravened provisions of the Corporations Act and ASIC Act and that the relevant directors breached their duties in respect of that disclosure. In particular, ASIC claims that Nuix's disclosure of its Annualised Contract Value (**ACV**) and statutory revenue performance as against forecasts was deficient.

Chairman's Letter continued

ASIC seeks declarations in respect of the alleged contraventions, pecuniary penalties against Nuix and disqualification orders against the relevant directors. ASIC has not yet quantified the amount of any penalties it proposes to seek.

Nuix denies the allegations made against it and the allegations made against the director respondents and intends to defend the proceedings.

Nuix has fully cooperated with ASIC during the course of its investigation into these matters.

Our People and the Community

Ultimately, our people determine our policy. No matter how good a policy may be, it can't be executed without the right people. By contrast, even if a policy has some flaws, good people will find them and fix them. This is why we are encouraged by the quality of talent that has been drawn to Nuix under this new leadership team. As the company has instituted changes, and adapted to a shifting external environment, our best performers have responded with typical grit and determination. They've inspired others by their example. Our workforce is unified in their goal of helping our customers find truth in the digital world.

We are also drawing top-quality people because we've built a workforce that reflects the broad diversity of talents, skills, communications styles, experiences, and backgrounds, who nonetheless share common values. Diversity in our workforce has proved to be a great strength, and we are committed to further increasing the diversity of our employee base over time.

Our workforce remains strong during even challenging times in part due to our investments around wellbeing, workplace flexibility and learning and development programs that support our people, and make Nuix a more rewarding workplace. People usually don't leave their jobs; they leave their managers. So we invest in making sure that we have leaders who are trained to nurture and develop their teams.

Our teams are also inspired by the tangible contributions we make to the broader community. Across the organisation, we remain focused on minimising our environmental footprint, partnering with data centres that have strong environmental credentials and participating in initiatives such as hardware recycling. Sustainability and positive community impact are key focus areas for Nuix in the near term as we look to increase our own societal contribution. We also encourage individual action, by matching donations made by our people to a range of social causes and by allowing them a day of volunteer leave to support charitable causes.

The world around us is changing quickly, and Nuix is responding. Our best-in-class technology and people have risen to the challenges of a rapidly evolving landscape. Our customers continue to respond to the strength of the Nuix offering. I remain excited for Nuix's future. The importance of delivering meaningful insights from vast amounts of data is only growing – and Nuix stands ready.

I would like to thank all the Nuix team members for their commitment and determination this year, and I express my most sincere thanks to our shareholders and customers for your ongoing confidence and support.

Hon. Jeffrey Bleich,
Chair

CEO's Review

Nuix is a leader in investigative analytics and intelligence at scale. Our engine takes vast amounts of data, whether it be unstructured, semi-structured or structured data, and helps users analyse and interpret it.

Nuix is evolving as we execute on our plan to return to growth. There are several key elements to our plan, but in short, we are:

- Deepening our customer relationships as we move towards a greater sense of customer centricity;
- Investing in taking our products to cloud-based platform solutions;
- Driving simplicity, scalability and standardisation across processes and systems;
- Laying the foundations to lift financial performance with clear accountabilities and expectations; and
- Reigniting our people's purpose and passion to be a force for good.

This last point is important: Nuix has the ability to be a real force for good in a modern society by helping to solve significant data-related challenges.

It is this sense of purpose that really drives so many of our talented people and our passionate customers in making a meaningful difference.

Business Performance

ACV has become an increasingly useful management metric over the course of 2022, as it gives an indication of the annualised "run rate" of Nuix's contract value at a given point in time.

ACV at 30 June 2022 was $162.0 million, down 2.3% compared to the prior year. In recent years Nuix has seen a shift away from module-style licences towards consumption licences, which continued during the financial year. While the shift to a consumption licence sometimes comes with an initial downsell, Nuix benefits from exposure to consumption licences as data volumes grow over time. During the year this downsell was largely offset by upsell to the existing customer base and new business.

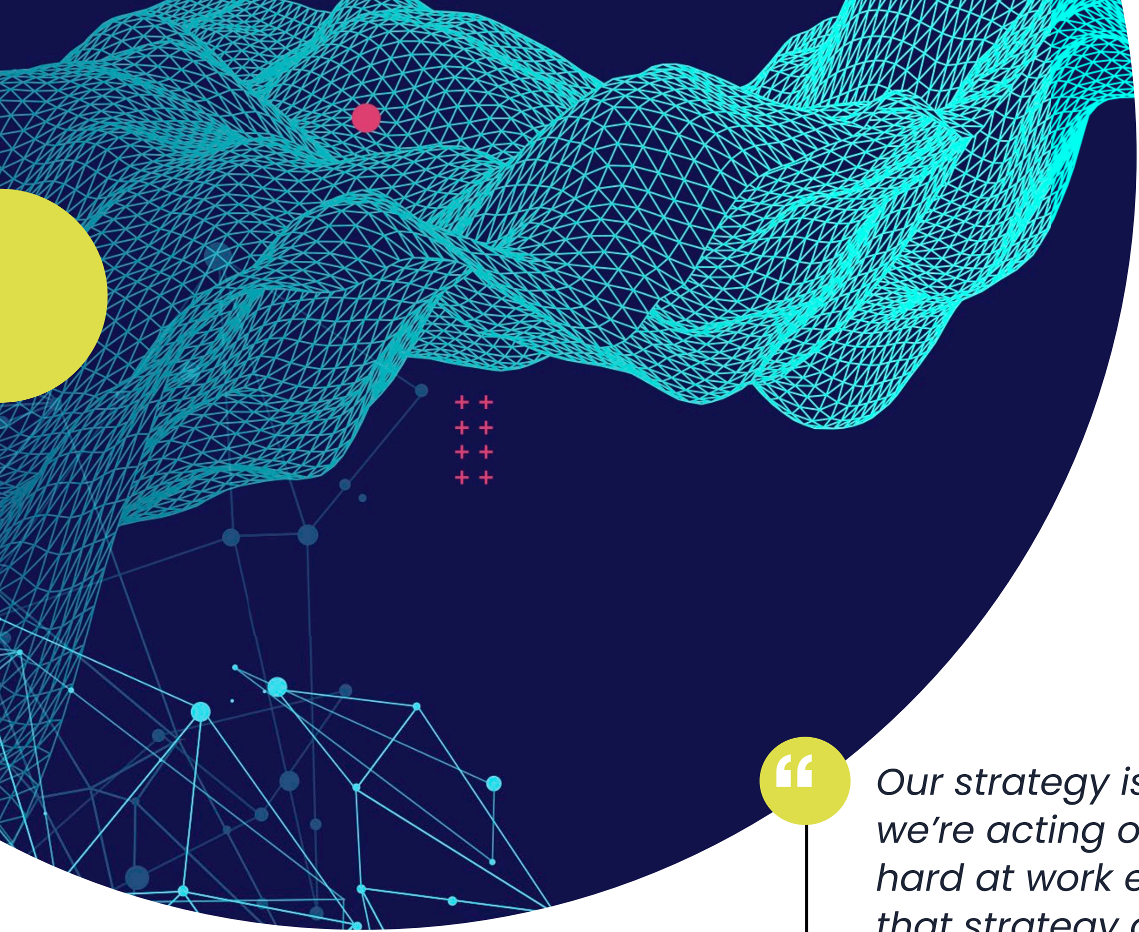
Subscription ACV is a component of Total ACV and is an important indicator because it measures ACV that is generally recurring in nature. Subscription ACV grew 1.1% year on year to $148.4 million, comprising 91.6% of overall ACV. Other ACV, which includes perpetual and services business, fell in line with expectations, as Nuix pursues its strategy to move away from perpetual licences.

Statutory Revenue fell 13.5% during the year, to $152.3 million, driven by lower multi-year sales and lower new sales. Nuix's Statutory Revenue can be variable due to the accounting treatment of multi-year deals between periods. New business fell by 32% in the year, to $18.7 million.

During the year Nuix invested significantly in its Research & Development program. R&D spend lifted to $58.3 million during the year, up 32% on the prior year, representing 38% of Statutory Revenue.

We lifted headcount in our R&D team by 15% and made very important progress on key projects such as further development on our integrated SaaS platform, NLP integration and FedRAMP High Development.

These higher R&D costs, as well as higher Sales costs, were in line with our strategy of investing now to drive revenue in future periods. Nuix's General and Administrative expenses were also higher, driven by higher non-operational legal costs in particular, as well as incremental headcount and insurance. These factors led to EBITDA falling to $12.1 million for the year.



> *Our strategy is clear and we're acting on it. We are hard at work executing on that strategy and execution will be urgent and focused.*
>
> **JONATHAN RUBINSZTEIN**
> **GROUP CEO**

In general, the cash costs of the increase in research and development have been funded from operational cash flow. Underlying cash flow, before legal costs and costs associated with our acquisition of Topos, was positive in the second half, and recorded a small fall over the full year of $2.5 million. Nuix finished the year with $46.8 million in cash.

Strategic Refresh: Positioning for Growth

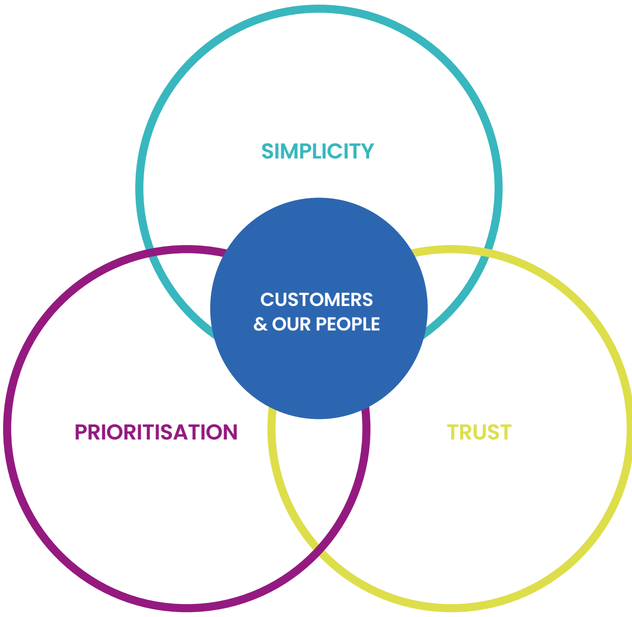
Nuix's path to growth is via a greater focus on customer centricity, ensuring the breadth and value of our product and service offerings align with customer requirements.

It is important that we focus our talented people and great technology on solving our customers' highest value problems. We can achieve this through continuous and rigorous prioritisation, while also delivering our proposition with simplicity.

Our strategic refresh is about putting the mechanisms in place to drive that customer centricity and growth.

We are focused on three horizons of change that underpin our strategic refresh.

Horizon 1 is the immediate and near-term focus, building on our strengths, improving competitiveness, commercial performance and customer relationships. These near-term initiatives help to not only provide important momentum to restart growth, but also provide a solid foundation for Nuix's medium and long term growth strategies.



HORIZON 1 **Build on our strengths**	**Immediate focus on driving competitiveness, commercial performance and customer relationships in our core business**
HORIZON 2 **Differentiate for large enterprise**	**Medium term growth from anticipating the needs of enterprise customers and building out our cross-solution platform to make the best of Nuix easily accessible**
HORIZON 3 **Solve for the future**	**Longer-range investment and prioritisation of innovation pipeline for new ways to use our technologies**

During the year, and particularly in the second half, Nuix made good headway on Horizon 1 initiatives.

A new price book was launched, providing greater alignment between pricing and the value added from the Nuix offering. A global sales refresh program was initiated to standardise our buyer experience. As this program comes to fruition it is expected to provide significant benefits in terms of improved win rates, higher customer retention and sales force efficiencies.

A more rigorous renewal process is being implemented, with a strong focus on renewal metrics and processes to drive stronger Net Dollar Retention outcomes. We are also upgrading our service offerings to customers, to help make sure that customers can optimise their Nuix experience, providing incremental revenue opportunities for Nuix.

Structure follows strategy, and we have made important changes to our organisational structure, including key hires at the leadership level, to drive our strategy forward. Across the company we have realigned performance incentives and KPIs to ensure better alignment between individual performance measures and the goals of the organisation.

Looking further out to Horizon 2, we are already building out our SaaS infrastructure and will increasingly integrate Nuix’s technology into a unified investigations platform. Releasing our Natural Language Processing capability will enable customers to ‘work smarter’, building new use cases and giving our customers an early opportunity to take advantage of the Nuix SaaS infrastructure. Over Horizon 3, our team is already working on new, high value, repeatable use case solutions.

These initiatives are designed to evolve Nuix into an organisation with simpler structures and processes, with clearer accountabilities. Central to our mission is to evolve Nuix’s customer focus and return to growth.

The Nuix Team: Passion and Purpose

Our people are critical to Nuix’s success, and remain at the heart of our organisation. During the year, we increased our headcount significantly as we invested in our future, with total headcount rising 8% to 475 people. The bulk of this headcount lift occurred in our Research & Development team, enabling us to make good progress on key initiatives. As travel recommenced, our Sales team was able to engage more of our client base face-to-face, and we look forward to more in-person interactions with our customers and industry contracts.

Our strategic refresh is about putting the mechanisms in place to drive customer centricity and growth.

JONATHAN RUBINSZTEIN
GROUP CEO

It is crucial to have the right leadership team in place to drive our strategy forward. Nuix has been able to attract high calibre individuals to join us on our journey, driving strategic commonality of purpose right across the organisation. We are also expanding the depth of talent to our extended leadership team.

Despite some challenging conditions in FY22, the Nuix team has made significant progress on key projects, reinvigorating customer relationships post-pandemic and driving our organisation forward with passion and purpose.

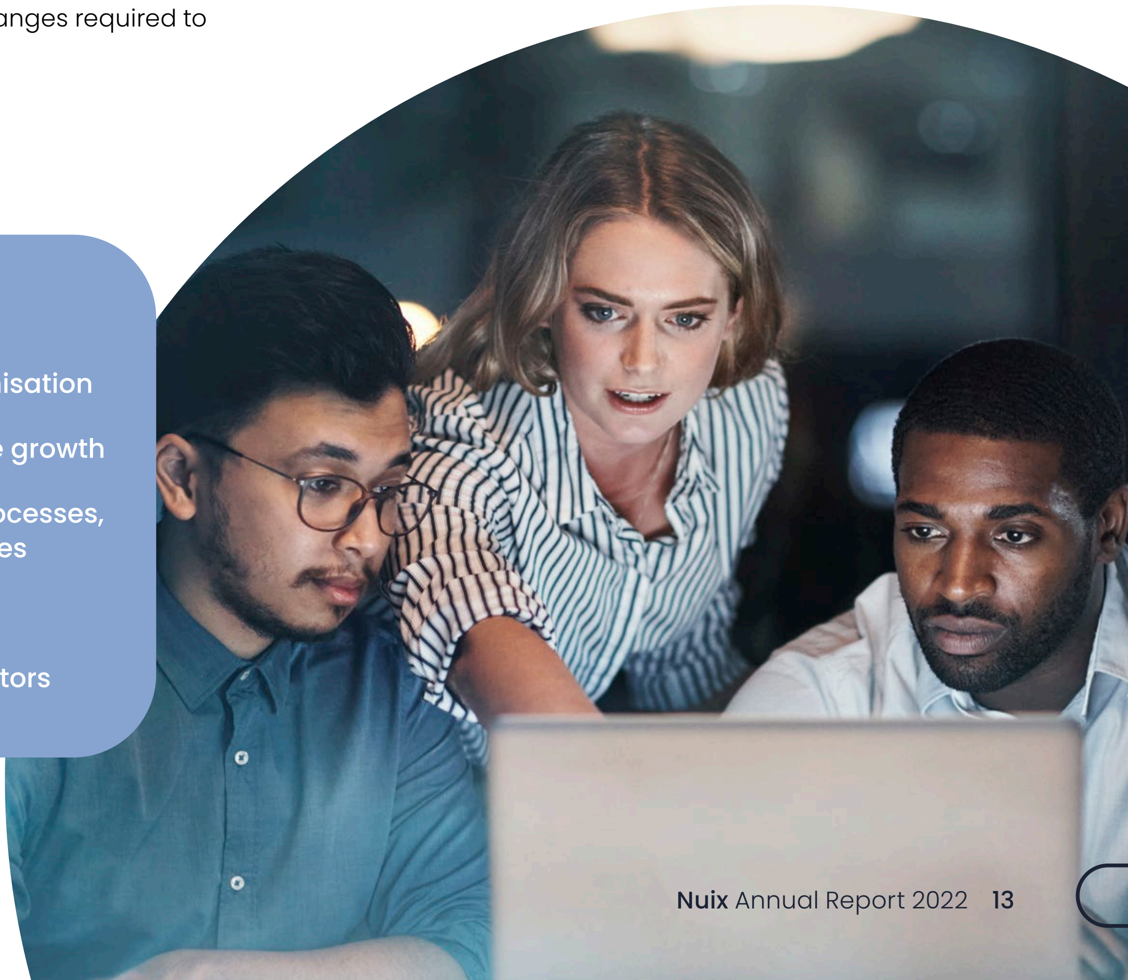
Nuix is a remarkable organisation making a meaningful difference. We are putting the right people in the right roles to make sure Nuix is fit for growth. Our customer and partner relationships are strong, and combined with our market-leading engine we are well positioned for growth. And lastly, our strategy is clear and we are acting on it, with urgency and focus. I'm excited and optimistic about Nuix's future, and as an organisation, the Nuix team is mobilising to enact the changes required to drive growth.

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

Jonathan Rubinsztein
Group Chief Executive Officer

Strategic Goals

- Customer-centric organisation
- Return to strong top-line growth
- Simple structure and processes, with clear accountabilities
- Great place to work
- Build trust with our investors



Vision and Values

Be a force for good by Finding truth in digital world

> *Nuix has the ability to be a real force for good in a modern society by helping to solve significant data-related challenges.*
>
> *It is this sense of purpose that really drives so many of our talented people and our passionate customers in making a meaningful difference.*
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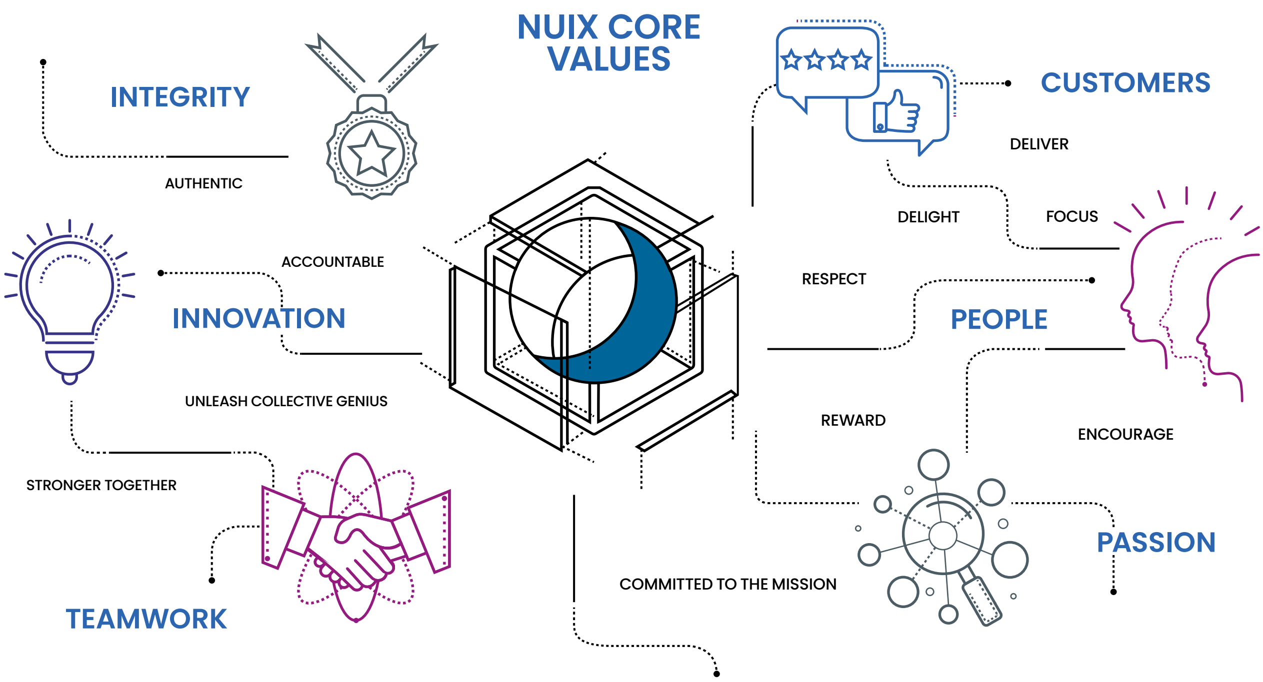
> **JONATHAN RUBINSZTEIN**
> **GROUP CEO**



Ongoing reinvestment in headcount in line with strategy

Sustainability Report

This Sustainability Report covers the period from 1 July 2021 to 30 June 2022. In developing this report, 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.

Environmental Responsibility

Nuix is committed to playing its part in addressing climate change. The company is currently undertaking work to more accurately measure its carbon footprint and greenhouse gas emissions.

Nuix's ambition is to become Net Zero or Carbon Neutral for our global operations. We are currently investigating the most effective ways for our company to achieve these goals.

Infrastructure Footprint

Nuix's carbon emissions and the environmental footprint of our hardware infrastructure is largely attributable to the leased buildings we occupy. Accordingly, Nuix's operations are not highly carbon intensive. Direct emissions include energy use from electricity and gas for heating and cooling offices.

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

Data Centres

Nuix works with several data centre providers to operate its business/corporate and customer services. All customer services are run on Amazon Web Services (AWS). AWS has plans to power operations with 100% renewable energy by 2025.

AWS manages its environmental footprint through end-to-end efficiency across its facilities and water stewardship program. Surveys conducted by 451 Research showed that AWS's infrastructure is 3.6 times more energy efficient than the median of US enterprise data centres surveyed. In addition, 451 Research found that AWS can lower customers' workload carbon footprints by nearly 80% compared to surveyed enterprise data centres, and up to 96% once AWS is powered entirely by renewable energy in line with its 2025 goal[1].

In addition, AWS employs a number of initiatives in relation to water stewardship, including evaporative cooling, recycling water and on-site water treatment, and community water programs.

Nuix also utilises QTS Data Centers in Ashburton, Virginia, USA and Macquarie Cloud Services in Sydney, Australia. QTS has set key environmental goals for all its USA facilities, including:

- Procure 100 percent of power from renewable energy sources;
- Pursue green building certification in 100 per cent of QTS facilities by 2025;
- Conserve at least 15 million gallons of water each year;
- Install electric vehicle (EV) charging stations at 75% of QTS facilities by 2025; and
- Recycle 90% of operational waste by 2025[2].

Macquarie Cloud Services focuses on low Power Usage Efficiency (PUE). A low PUE means that a facility is more efficient and uses proportionally less energy for infrastructure loads. Macquarie Cloud Services facilities typically have low PUEs. For instance, the Intellicentre 3 facility in Sydney has a PUE of 1.28, compared to an average data centre PUE of 2.5, demonstrating a greater degree of energy efficiency[3].

E-Waste – Hardware Recycling

Nuix recycles all unwanted or used computer equipment annually, avoiding this equipment contributing to landfill and causing greenhouse gas emissions. Nuix plans on measuring the amount of equipment that is recycled and diverted from landfill in the near future as part of its broader sustainability framework.

1. Sustainability in the Cloud – Amazon Sustainability (aboutamazon.com).
2. https://www.qtsdatacenters.com/why-qts/corporate-sustainability.
3. Macquarie Telecom Group 2021 Annual Report.

Sustainability Report
Social Responsibility

Nuix seeks truth in a digital world. Our software helps to solve significant data related challenges.

At Nuix, our people are our most important asset. We will continue to invest in our people with a range of initiatives focusing on wellbeing and development.

Helping Solve Real Societal Issues

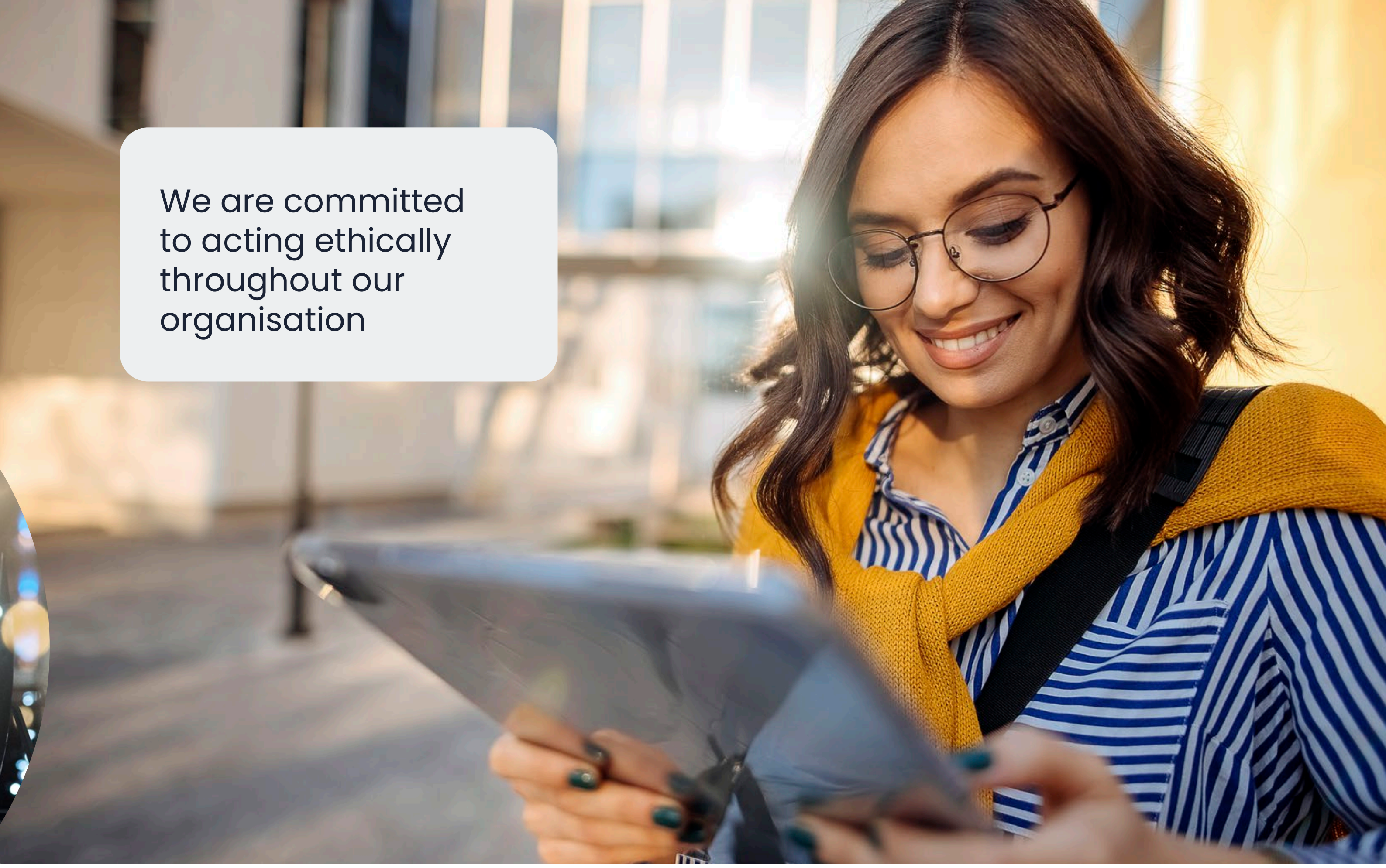
The flexibility of the Nuix engine means that our software can be used to solve complex problems involving large data sets, across a broad range of use cases.

Nuix's global customer base includes large government agencies, regulators, corporations and professional services firms. Nuix software is sold directly by Nuix and indirectly through a partner network, which actively markets, and in some cases supports, the Nuix platform.

Alongside traditional government and corporate uses, Nuix software has also been used in cases for social good, such as combating child exploitation and terrorism. In these cases, investigators across different jurisdictions can use Nuix software to counter criminal acts using tools that piece together disparate information sets, including dealing with evidence in a sensitive way where required.

Nuix matches staff donations made to supported causes. During the year, donations were made to support those impacted by the conflict in Ukraine as well as COVID-19 in India, and global causes such as Movember.

Nuix offers one day of volunteer leave for all staff globally, enabling our people to dedicate time to the causes that are important to them.



Managing Human Rights

Nuix is fully committed to preventing modern slavery and human trafficking in our operations and supply chains across all jurisdictions in which we operate. Nuix is also committed to continuously improving its processes and policies with respect to the identification and elimination of modern slavery.

Based on our industry, business model, procurement profile and geographical footprint, we have assessed the risk that we cause, contribute to, or are directly linked to modern slavery as low. We have assessed the risk of modern slavery within our direct business operations as low, given the relatively low outsourcing and consequent level of control we have on our operations and our comprehensive labour management controls.

We have assessed the risk of modern slavery practices in our supply chain as low. This assessment is based on the geographical footprint of our suppliers and the types of services and products provided. Our procurement generally consists of technology, professional services, recruitment and labour hire, marketing, and facilities management expenditures.

Nuix strives to do business with customers, partners and suppliers of sound business character and reputation. Nuix does not knowingly support any public or private organisation which espouses unethical or discriminatory policies or practices.

Nuix has not been made aware of any allegations of human trafficking or modern slavery activities in relation to any of our subsidiaries, suppliers or partners.

Social Responsibility continued

Data Security And Privacy

Data security and privacy are critically important to both Nuix and 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. These measures help to mitigate risk, for example in relation to the Nuix-hosted cloud environment, hosted within data centres. In this circumstance, while the customer has full control over the data that is uploaded into Nuix Discover SaaS, Nuix is responsible for the security and availability of the data.

Nuix's IT Security and Risk Committee undertakes monthly assessments of the IT risk register.

Protecting Customer Data

Nuix maintains 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). During the last financial year, Nuix recertified ISO/IEC 27001:2013 (206 controls), while adding ISO/IEC 27017 (13 additional controls) and ISO/IEC 27018 (28 additional controls). Nuix has been assessed as compliant against the Australian Prudential Regulation Authority (APRA) CPS234 cyber resilience program.

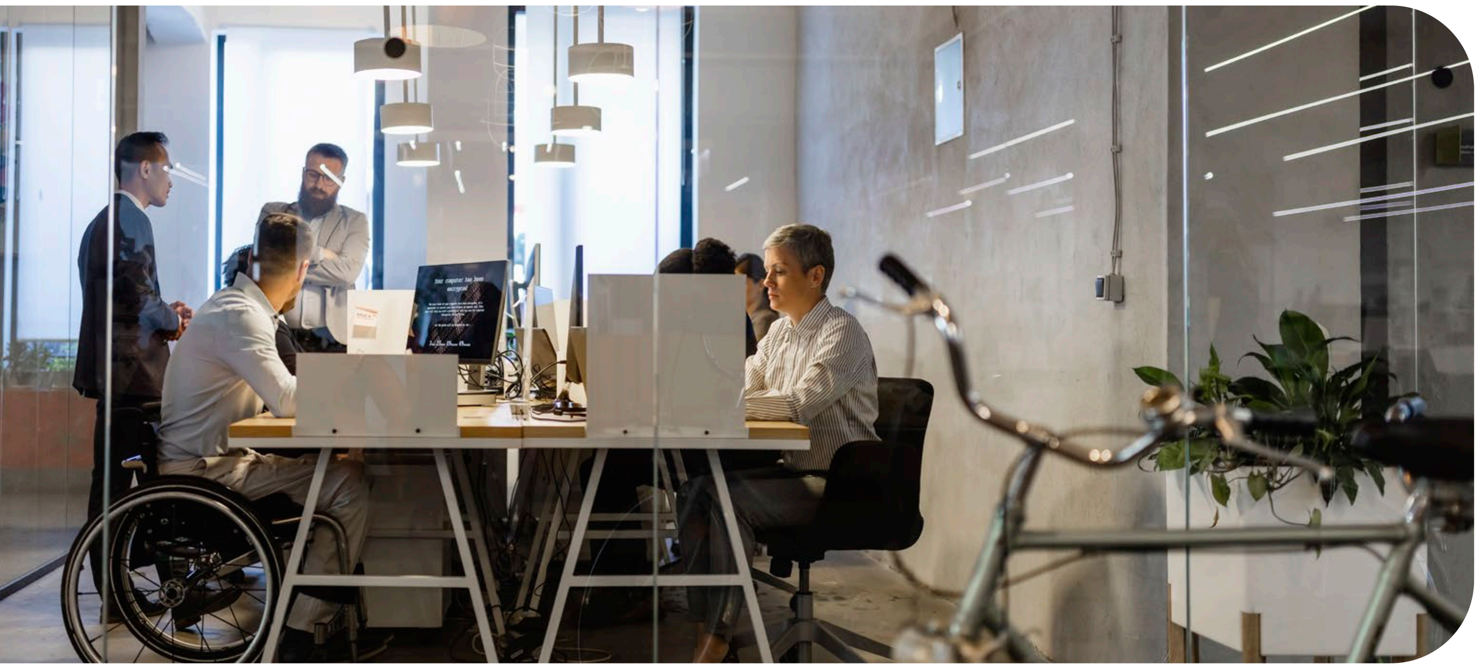
Nuix operates Discover SaaS in six AWS regions. In December 2021, a new region came on-line: US Gov-Cloud.

Nuix's customer data is managed by over 1,000 independently verified controls.

To achieve these certifications and assurances, Nuix invests heavily in security and monitoring tools. Nuix's SaaS environment hosting customer data is physically and logically separated from Nuix's corporate network. Nuix utilises world-class cybersecurity vendors such as Microsoft, Palo Alto Networks, Splunk, DUO, TrendMicro and NuHarbor and to protect and defend the environment.

Nuix, and its authorised Cloud Service Providers (CSPs), 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.



Protecting our Corporate Network

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.

Platform vulnerability management

Vulnerability management at Nuix incorporates three distinct elements: 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 infrastructure vulnerabilities and allow for real-time remediation. Nuix performs monthly patching across the SaaS platform, as well as additional critical patching as required.

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

Continuous monitoring

Nuix maintains 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 with the ability to log the actions of their own users and run usage reports as required.

Intellectual Property Regulation

Nuix is subject to laws and regulations relating to intellectual property in the jurisdictions in which it operates. Nuix's primary intellectual property assets are its patented processing technology, copyrights and trademarks. All of Nuix's material patents are located in the United States. 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. These laws and regulations include 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.

Sustainability Report
Our People

Recruiting and Managing a Global, Diverse and Skilled Workforce

Nuix is a global leader in investigative analytics, headquartered in Sydney Australia. At 30 June 2022, Nuix's total headcount was 475, with team members located across North America, EMEA and Asia Pacific. In addition, Nuix works with a small number of individuals that are engaged through labour hire firms or contractors.

Our people are the foundation of Nuix's success. We strive to create a workplace that is energising and rewarding. Our continued success is dependent on attracting and retaining skilled and qualified employees.

Guided and Inspired by Our Values

Nuix has six core values – Customers, Innovation, Teamwork, People, Integrity and Passion. These values support our vision to find truth in a digital world.

Nuix is committed to conducting business with integrity and in accordance with our corporate values. Nuix's Whistleblower Policy provides a mechanism for current and former directors, employees, consultants, contractors and suppliers (as well as their relatives, dependants or spouses) to raise concerns regarding misconduct or an improper state of affairs. Reports received will be treated sensitively and seriously, and concerns can be raised on a confidential basis.

The Nuix Team in Numbers:

Employees by Region	58% North America	30% Asia Pacific	12% EMEA
Employees by Function	43% Research & Development	40% Sales & Distribution	17% General & Administrative

During the year Nuix matched donations made by our people to a range of causes and our staff were able to dedicate time to important causes via a day of volunteer leave.

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. The Policy also reinforces Nuix's commitment to acting professionally, fairly and with integrity in business dealings and relationships.

Valuing Diversity

Nuix's greatest asset is its people. Our workforce is made up of many individuals with diverse skills, values, experiences, backgrounds and attributes including those gained on account of their gender, gender identity, age, disability, ethnicity, marital or family status, religious beliefs, cultural or socio-economic background, sexual orientation, perspective and experience. We value the diversity of our workforce and are committed to further increasing the diversity of our employee base over time.

As at 30 June, females represented 27% of Nuix's workforce. Nuix is committed to improving diversity, and works with talent acquisition partners to reach a broad range of talented people who can contribute to our success.

Wellbeing

Nuix's wellbeing program enables our staff to take time to focus on health, wellbeing and 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 specific interests.

Flexibility

Providing our people with flexibility in the way they work contributes to a more inclusive work environment, along with increased engagement, retention and wellbeing, while delivering to our business outcomes. This flexible approach continued throughout COVID-19, and will continue to be an important element of Nuix's approach to engagement and retention.

Learning and Development

Nuix is committed to professional development. Our Learning and Development (L&D) team has developed a series of onboarding and professional development courses that are offered through the Nuix Academy, our dedicated Learning Management System. Through the Nuix Academy, staff can undertake 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 the last financial year, a significant number of Nuix staff had access to the training that Nuix provides our customers, with 34 of our staff receiving Nuix accreditations and 24 staff becoming Nuix Masters.

Sustainability Report
Governance and Risk Management

Governance Approach

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 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 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 are 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 the framework.

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

Fit For Purpose Effective Risk Management

Overview

Risk recognition and management are integral to Nuix's objectives of creating and maintaining shareholder value, and to the successful execution of the company's strategies. Good risk management enables the pursuit of opportunities while managing risks and achieving compliance with applicable laws, regulations, and contractual obligations, while meeting or exceeding stakeholder expectations

Nuix is committed to investing in and maintaining effective risk management systems and a risk culture that provides employees with opportunities to grow and improve risk management capabilities that will support consistent and appropriate risk decisions. At the heart of our risk strategy is a commitment to creating a culture where our employees feel empowered and incentivised to have the right risk conversations on an ongoing basis.

Risk Management Framework

Nuix has a Risk Management Framework (**RMF**) which is aligned to the ISO31000 Risk Management Standard and describes our integrated approach to identifying and managing financial and non-financial risks and making risk informed decisions and choices within boundaries.

Nuix's RMF represents the mechanisms through which we deliver reliable products and services 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 Governance

To bring the transparency, focus and independent judgement needed, the Board has delegated oversight of the RMF to the Audit and Risk Management Committee. The Committee has a Charter which is aligned with Principle 7 of the ASX Corporate Governance Principles and Recommendations. The Committee meets at least quarterly to monitor management's performance against the RMF and consider risk reports and key risk matters.

The Committee is provided with regular and ad-hoc reporting and risk data aligned with Nuix's principal risks, which provides the Committee with indicators and information that management is operating within the prescribed appetite.

Accountability for managing risk is embedded into Nuix's management structures, with responsibility for each of our principal risks and our key compliance obligations assigned to one or more members of the Leadership Team.

Principal Risks

Nuix's primary focus is on the identification and management of principal risks which could impact current or future business performance. We have recently reviewed and refreshed our principal risks. Details of these 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 9.6 of the Financial Report.

Contents

Directors' Remuneration and Financial Reports

For the year ended 30 June 2022

ABN 80 117 140 235
ACN 117 140 235
ASX Code: NXL

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 2022.

1. Directors

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

- Jeffrey Bleich — Chair and Non-Executive Director
- Robert Mactier — Deputy Chair and Non-Executive Director, appointed 6 October 2021
- Daniel Phillips — Non-Executive Director, resigned 31 August 2022
- Sir Iain Lobban — Non-Executive Director
- Susan Thomas — Non-Executive Director
- Jacqueline Korhonen — Non-Executive Director, appointed 6 October 2021
- Jonathan Rubinsztein — Executive Director, appointed 6 December 2021
- Rodney Vawdrey — Executive Director, resigned 6 December 2021

2. Operating and financial review

The operating and financial review for the year ended 30 June 2022 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.

This Operating and Financial Review includes statutory and pro forma comparisons for the prior corresponding period prepared on the same basis as presented in the Nuix Prospectus dated 18 November 2020.

The pro forma adjustments for the prior corresponding period 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 that were recognised in that period. The pro forma adjustments also provide for a full year of listed company costs for the corresponding period and the relevant tax impact of the pro forma adjustments. There have been no pro forma adjustments made to the results of the full year ended 30 June 2022.

The following commentary should be read with the consolidated financial statements and the related notes in the Financial Report.

Non-GAAP measures have been included, in particular Annualised Contract Value (ACV), as Nuix believes they provide information for readers to assist in understanding the company'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.

2.1 Principal activities

Nuix is a leading provider of investigative analytics and intelligence software which empowers organisations to simply and quickly find meaningful insights from large amounts of unstructured data.

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 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 data.

No significant change in the nature of these activities occurred during the year.

2.2 Significant changes in state of affairs

On 20 September 2021, the Group acquired Topos Labs, LLC ('Topos'), a developer of Natural Language Processing ('NLP') software that helps computer systems better understand text and spoken words at speed and scale. The Group has started to integrate the acquired Intellectual Property with the powerful Nuix Engine and anticipates that it will be a valuable add-on for users of our Nuix Workstation software.

The upfront consideration for the acquisition paid in September 2021 was USD $5,000,000, with the potential for a further USD $20,000,000 comprised of USD $18,500,000 in cash payable to the shareholders of Topos (some of whom are required to remain employed by the Group at the time milestones are met in order to be eligible for receiving such payments), and up to USD $1,500,000 in performance rights (which would be issued to specified employees should they remain employed with the Group and milestones be achieved).

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

2.3 Business strategies

During the financial year, Nuix outlined key strategic review initiatives to drive growth through a renewed focus on customer centricity. The overarching strategy hinges on three key horizons of change:

- Horizon 1 – Build on our strengths: Immediate focus on driving competitiveness, commercial performance and customer relationships in Nuix's core business;
- Horizon 2 – Differentiate for large enterprise: Medium term growth from anticipating the needs of enterprise customers and building out Nuix's cross-solution platform; and
- Horizon 3 – Solve for the future: Longer-range investment and prioritisation of innovation pipeline for new ways to use Nuix technologies.

Importantly, while the durations of each horizon vary, work on all three horizons commenced in the past financial year. Horizon 1 initiatives help to drive and underpin Horizons 2 and 3, with all three horizons underway concurrently.

In the past financial year, important progress was made on Horizon 1 initiatives such as the rollout of a new price book, sales enablement optimisation, renewal process focus and revamped service and support offerings – all critical elements of driving top line growth and operational efficiency.

A firm-wide organisational restructure, including at the leadership level, was implemented, with performance and rewards revised to be more closely aligned to the Group's objectives. A renewed focus on marketing, including representation at the leadership level, will help to drive new business and better sales outcomes.

Horizon 1 initiatives are intended to not only drive near term revenue, profitability and operational efficiencies, but to also provide the foundations for longer term growth across Horizons 2 and 3. Key Horizon 2 initiatives include further building out Nuix's cloud-hosted investigations platform and Natural Language Processing integration. Horizon 3 will focus on new high value and repeatable use cases that are scalable solutions.

Nuix will keep the market informed of status across each of the strategic horizons.

2.4 Group performance

Statutory revenue for the year was $152,310,000 down 13.5% on the prior corresponding period. Statutory revenue displays a greater degree of variability than Annualised Contract Value (ACV) due to the accounting impacts of multi-year deals. The fall in statutory revenue occurred primarily due to a lower value of multi-year contracts sold and lower new sales.

Traditional module-style licences continue to drive the bulk of statutory revenue, however there has been a significant increase in the amount of statutory revenue derived from sales of licences that are priced on a consumption basis.

New business for the financial year was $18,748,000, down 32% on the prior year.

Statutory EBITDA for FY22 was $12,064,000, down 82.0% on the prior corresponding period on a pro forma basis, and down 60.5% on a statutory basis.

During FY22, Nuix further invested in sustainable revenue generation, with an uplift in research and development spend, as well as sales and marketing. These investments are expected to contribute to revenue growth in FY23 and beyond. Along with a lower revenue outcome, this investment in research and development and sales and marketing weighed on the EBITDA outcome in the FY22 financial year.

Separately, the Group continues to experience material, non-operational legal costs ($13,796,000 in the financial year). The operating loss associated with Topos amounted to $3,345,000. These two items also impacted EBITDA.

Incorporating these impacts, the Group reported a Net Loss After Tax of $22,791,000 for the financial year, compared to a Net Loss After Tax of $1,406,000 in the prior corresponding period.

Annualised Contract Value (ACV)

Annualised Contract Value (ACV) is a non-GAAP measure that gives an indication of the annualised 'run rate' of Nuix's contract value at a given point in time, adjusting for the sometimes volatile impacts of multi-year deals on measures such as statutory revenue.

Annualised Contract Value (ACV) at 30 June 2022 was $162,042,000, down 2.3% compared to 30 June 2021, with the continued shift away from module-style licences to consumption licences largely offset by upsell to the existing customer base and new business.

Subscription ACV is a component of Total ACV and is an important indicator of ACV that is generally recurring in nature. Subscription ACV grew 1.1% year on year to $148,413,000 comprising 91.6% of overall ACV.

'Other ACV', comprising short-term (less than 12 month) and perpetual licences, and services ACV, fell to $13,630,000 from $19,134,000 a year earlier.

Nuix continues to see a shift towards consumption-based licences across its client base. While the initial shift to a consumption licence sometimes comes with an initial downsell, Nuix benefits from exposure to consumption licences as overall data volumes grow.

During the financial year, Consumption ACV grew by 40.6% to $28,448,000, driven by strong growth in both SaaS and non-SaaS licences.

2.5 Group financial position

Summary balance sheet

	30 Jun 2022 $000	30 Jun 2021 $000
Assets		
Cash and cash equivalents	46,846	70,865
Trade and other receivables (including contract assets)	50,813	63,767
Other current assets	10,016	6,209
Property and equipment	3,040	2,018
Intangibles	237,125	197,415
Other non-current assets	11,762	9,474
Deferred tax assets and lease assets	14,515	14,261
Total assets	**374,117**	**364,009**
Liabilities		
Trade and other payables	23,742	20,325
Deferred tax and lease liabilities	13,650	13,829
Deferred revenue	49,285	45,360
Provisions	3,915	3,420
Other liabilities	14,458	–
Total liabilities	**105,050**	**82,934**
Equity		
Issued capital	370,696	370,696
Reserves	(163,539)	(174,322)
Retained earnings	61,910	84,701
Total equity/net assets	**269,067**	**281,075**

The Group has no debt and a closing cash balance of $46,846,000 at 30 June 2022, down from $70,865,000 from the previous financial year. The decrease in cash and cash equivalents is primarily due to an increase in investment in sustainable revenue generation, including higher research and development and an uplift in sales and marketing spend, along with Topos acquisition and operating costs and non-operational legal costs.

The lift in research and development spend and sales and marketing costs was mostly funded by operational cash flow. In the near term, Nuix aims to be cash flow neutral before Topos and non-operational legal costs.

Trade and other receivables fell during the period, driven by working capital improvements.

2.6 Risk management

Our Risk Management Framework (RMF), implemented in 2021, continues to evolve and become embedded in our business, processes, and ways of working. The RMF has been designed to help the business set risk strategy, foster risk awareness, and enable risk informed decision making within boundaries. We seek to maximise opportunities without exposing the organisation to unnecessary risk.

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.

Nuix takes a structured approach to identifying and managing risks and opportunities. There are a variety of financial and non-financial risks that could affect business activities, financial position or operating and financial performance, and these are assessed and managed as part of the RMF.

Our material risks are presented below together with mitigations employed. Mitigation strategies are designed 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.

Detail on Financial Risks can be found in Section 7. In relation to Contingencies (Sheehy Litigation, ASIC Investigation and Class Action Risk), detail is provided in Section 9.6.

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.

Risk and Potential Consequences	Mitigations Employed
Attracting and Retaining Talent Nuix's success is dependent on attracting and retaining talent and fostering a high-performance culture. Loss of talent or inability to attract new talent may impact achievement of business goals. This risk is elevated by changes in employee working operating model expectations, the competitive environment for talent globally in the disciplines in which Nuix recruits and the ongoing media coverage of Nuix.	✓ Values led business strategy and vision ✓ A remuneration strategy to attract, motivate and retain individuals with performance linked reward ✓ Board Committees to steer and oversee people strategies and programs ✓ Flexible work policies and hybrid work model ✓ Communication with all staff to ensure that the strategy is understood as well as the role that they play ✓ Training programs for managers to ensure that they have the skills to manage staff
Customer and Competition Nuix's future business prospects are dependent on protecting and growing our share of the addressable market. Nuix may not be able to compete successfully against competitors, some of whom have significantly more financial and operational resources. A decline in general economic conditions or a change in business and government spending could adversely impact financial performance. Nuix may also not meet customer expectations or sales enablement strategies may be ineffective.	✓ Multi-horizon customer centric strategy ✓ Investment to optimise sales enablement and account management processes ✓ Proactive monitoring of market, industry, and competitor intelligence to identify strategic opportunities ✓ Strong and effective relationships with our customers and partners

Risk and Potential Consequences	Mitigations Employed
Partner Distribution Channel Performance A key sales channel for Nuix is to sell with, and sell through, sales partners. This channel may not achieve planned revenue volumes, margins, or renewal targets. This could be caused by inadequate sales partner performance or competing competitor product or incentivisation offerings.	✓ Partner program focussed on strategic partnerships and mutually beneficial relationships ✓ Alliances and Partnerships strategy with dedicated leadership and account management team ✓ Relationship management lifecycle aligned with the Association of Strategic Alliance Professionals ✓ Partner portal, enablement, training, quarterly business reviews and a Partner Advisory Council
Integrating Acquisitions Nuix has completed strategic acquisitions in recent years. There is a risk that Nuix is delayed in integrating acquisitions or that they do not deliver expected benefits.	✓ Board oversees integration strategy and programs ✓ New opportunity due diligence and approvals ✓ Integration roadmaps and milestone planning
Data Privacy and Protection Use of our products involves the storage, transmission, and processing of our customers' privileged, confidential, sensitive, and proprietary data. Failure to adequately safeguard customer data could result in the loss or corruption of data, breaches of obligations, damage to our reputation and impact customer and investor confidence in our products. This risk will grow as more customers utilise our SaaS offerings. Our information security costs may also increase if customer, regulatory or accreditation minimum standards increase.	✓ In-house expertise to identify, manage and oversee information security risks ✓ Privacy Policy, Privacy Officer, and a Privacy Compliance and Awareness Program ✓ Best practice certifications for data security management (ISO 27001:2013, ISO 27018:2019) ✓ iRAP certification to host Australian government 'protected' data ✓ USA Federal Risk and Authorization Management Program (FedRAMP) HIGH readiness in-progress ✓ Multi-factor authentication and least privileged access to SaaS environment ✓ High grade encryption including 256-bit Advanced Standard, SSL, and FPS 140-2 ✓ Cyber vendors who monitor the SaaS platform
Cyber Customers use the Nuix platform to analyse privileged, confidential, sensitive, and proprietary data. Cyber incidents could affect access to the platform and compromise customer data. Incidents may also impact the execution of Nuix's critical business processes. Actual or perceived failures in our technology security capability and control environment could result in financial loss and impact our reputation and brand. The sophistication and frequency of cyber-attacks aimed at companies is increasing, and our exposure will grow as more customers utilise our SaaS offering. Nuix may also need to accept higher liability exposures as customers are increasingly seeking indemnification or higher liability caps for defects, errors or other liabilities arising from the platform.	✓ Cyber risk and security strategy ✓ Highly skilled cyber security employees who focus on identifying and responding to threats ✓ 24x7 Security Operation Centre and continuous monitoring of critical systems for signs of performance, intrusion, or interruption ✓ Employee cyber risk awareness program ✓ Physical and logical separation of environments and duties across Nuix SaaS and Corporate IT ✓ Market-leading third-party tools to protect and monitor the SaaS and Corporate IT environments ✓ Penetration testing of all SaaS and Corporate IT networks every six months ✓ Incident management and recovery playbooks and cyber insurance policy

Risk and Potential Consequences	Mitigations Employed
Product Strategy Our technology strategy and continued investment in product innovation is a critical foundation for our future success. There is a risk that research and development (R&D) investment may be insufficient, not used effectively and efficiently, or may not meet customer and market expectations. This could impact our ability to retain, grow and win customer accounts.	✓ Technology and product roadmap informed by customer engagement and feedback ✓ Continued investment in R&D inclusive of longer-term innovation pipeline ✓ Highly skilled engineers and product development employees and Agile Software Development Program Planning
Product Functionality and Performance Our customers include government agencies, regulators, corporations, and professional service firms who often rely on our software to analyse data in sensitive and high-profile investigations. Our software and products may not function as intended, resulting in adverse outcomes for customers. This could be caused by unintended or undetected errors, defects, failures, or bugs in the platform.	✓ Highly skilled engineers and product development employees ✓ Software Development Life Cycle which includes robust review and testing of code prior to release ✓ Software vulnerability management tools and practices ✓ Customer service support system integrated with Engineering software development planning
Open-Source Software Nuix uses open-source software in our products which can create security vulnerabilities or instabilities which may impact our customers or execution of our product roadmap. There are also inherent uncertainties regarding the interpretation of and compliance with open-source software which could result in 3rd party claims, increased licence and product re-engineering costs or the disclosure of Nuix proprietary software.	✓ Register of open-source libraries and licences by product ✓ Tools to monitor and report on the security profile of open-source code ✓ Open-source vulnerability management capabilities and practices
Intellectual Property The value of Nuix's business is, in part, dependent on Nuix's ability to protect its IP and rights – particularly its unique parallel-processing approach for processing unstructured data. Theft of, or inability to protect our IP could result in a loss of competitive advantage. Infringement of third-party IP by Nuix could also result in claims or litigation.	✓ IP legal protection strategy and engagement with external IP experts to shape strategy and provide advice ✓ Process for registering trademark, copyrights, and patents ✓ Contractual safeguards (e.g., non-disclosure agreements) prior to any proprietary disclosures ✓ Corporate IT information security program
Legal and Regulatory Compliance Nuix is impacted by numerous laws and regulations globally, including corporate, privacy, sanctions, employment, tax, and financial reporting. Nuix's activities, including past, current, or future activities, may have contravened laws or regulations in one or more jurisdictions. This could result in financial loss and damage to our reputation and brand. Changes to laws and regulations may impact strategy, business performance and may increase compliance costs.	✓ Regular review of compliance risk areas by the Audit & Risk Committee ✓ Policies, supported by staff training, on key legal and regulatory obligations and expected practices ✓ External corporate law and professional services firms provide advice on issues and specialist resourcing and compliance support

Risk and Potential Consequences	Mitigations Employed
Contractual Risk Nuix's business is dependent on our ability to enter and comply with legally binding agreements and allocate and manage contractual risks and obligations. Nuix may enter into agreements that are not legally enforceable, have unintended consequences or create exposures which are not able to be fully mitigated. Nuix may also inadvertently breach contractual obligations and be subject to claims and disputes.	✓ In-house Legal function which provides review and oversight of contracts prior to execution ✓ Delegations of authority setting out individuals who are authorised to sign agreements ✓ Standard contractual Terms and Conditions (T&Cs) inclusive of liability caps and rights to termination clauses ✓ Processes in place to manage deviations from standard T&Cs
Accreditations and Certifications Nuix has accreditations and certifications which enable customer sales. Loss of existing, or failure or delays to obtaining new, accreditations or certifications may have a temporary or permanent impact on financial performance.	✓ Investment in our accreditation and certification strategy, e.g., FedRAMP (HIGH) ✓ Dedicated in-house team auditing against certification control standards ✓ Annual independent certification audits
Litigation There are currently proceedings on foot within Australia that pose certain risks to the organisation if the outcomes to these proceedings are adverse to Nuix. Such adverse outcomes may be costly and could damage our reputation and brand, which in turn may impact our capital structure. Litigation may also disrupt the execution of strategy and impact business performance.	✓ Litigation, disputes, or investigations are managed in an effective and efficient manner with a view to protecting the outcomes of Nuix's financial position and reputation ✓ Engagement of specialised external legal counsel and internal structure. ✓ Communications strategy to keep employees and stakeholders informed
Funding and Refinancing Nuix may seek to raise additional capital to support operations, fund future growth or respond to opportunities. Nuix may not be able to secure debt or equity financing on favourable terms or at all. Raising additional funds by issuing equity securities may result in ownership dilution for shareholders. Nuix's ability to meet objectives could be impacted if it is unable to obtain necessary and adequate financing solutions or maintain sufficient working capital.	✓ Board approved capital, funding, and liquidity management strategy ✓ Appointment of external advisors to advise and help facilitate a review of future state capital structures and renewal of finance facilities ✓ Maintain relationships with investors and banking partners. Active investor relations management and engagement with capital providers ✓ Working capital management processes and controls including budgeting and forecasting ✓ Refer to Section 7.1 for more detail on how Nuix manages its financial risks
Financial Risks Nuix is exposed to a variety of financial risks including foreign exchange, credit, and liquidity. If financial risk management strategies are ineffective, financial performance may be impacted. Nuix is required to comply with complex revenue recognition rules and make accounting judgements. There is a risk of error in financial reporting or accounting judgements due to inadequate or ineffective financial controls, data, or flawed assumptions.	✓ Early engagement and consultation with external auditors/professional firms on significant deals and key accounting policies ✓ Budgeting, forecasting and performance monitoring and reporting processes ✓ Documented key financial processes and controls ✓ Refer to Section 7.1 for more detail on how Nuix manages its financial risks

Risk and Potential Consequences	Mitigations Employed
Business Continuity, Third Parties and Resilience Nuix's operating model places high reliance on the availability and reliability of third-party software, hardware, and information technology, including data centers and global communication systems. Failure or disruption may impact our customers' use of our products or the execution of enterprise critical business processes. Incidents could result in financial penalties, customer churn or missed business critical deadlines. Increases in third party service provider prices may also increase costs.	✓ Nuix SaaS architected for high-availability and resilience ✓ Third-party vendor for incident, customer support and change management ✓ Assessment of third-party software providers for reliability and reputation ✓ Continuous monitoring of critical systems for signs of performance, intrusion, or interruption ✓ Continuity plans, incident response and recovery playbooks
Environmental, Social and Governance (ESG) Nuix seeks to make a positive contribution to the world and conduct business responsibly, ethically, and sustainably. This includes ensuring that our powerful technology is not used for unethical or illegal purposes. Failure to meet ESG commitments or expectations, or manage our ESG risks, could harm our reputation, impact performance, limit access to capital or impact our ability to attract and retain talent.	✓ ESG strategy, investment, and reporting ✓ Diversity Policy ✓ Anti-Corruption and Modern Slavery Policies, training, processes and controls ✓ High-Risk Countries Policy, heightened review and approvals process and board approved restrictions on the type of software provided to certain jurisdictions

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

Nuix had a Facility Agreement with the Commonwealth Bank of Australia ('CBA') which was set to expire on 11 September 2022. Given that the Company has not utilised the Cash Advance Facility over the preceding 12 months and has $46,846,000 cash available at 30 June 2022, the Group has, post year-end, terminated the facility with CBA.

In relation to the Class Actions referred in Note 9.6 to the Annual Financial Report, on 23 August 2022 the Supreme Court of Victoria handed down a decision to the three competing and overlapping claims filed against Nuix. The Supreme Court of Victoria ordered that:

- the proceeding commenced by Banton Group (which had sought to join a number of Directors as co-defendants) be permanently stayed; and
- the proceeding commenced by Shine Lawyers and Phi Finney McDonald be consolidated.

Nuix disputes the allegations contained in the claim and will be defending it.

Except as disclosed above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

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 Center for Advanced Study in the Behavioral 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.

Robert Mactier

Robert has been a Non-Executive Director of Nuix since October 2021 and was appointed Deputy Chairman in November 2021.

Robert is a Consultant to the Advisory and Capital Markets division of UBS Australia (since June 2007). Robert is also a Non-Executive Director of Kinetic IT Pty Limited and was formerly a Non-Executive Director and Chairman of ASX-listed ALE Property Group and WPP AUNZ Limited as well as Non-Executive Director of NASDAQ-listed Melco Resorts and Entertainment Limited.

Robert began his career at KPMG and worked across their audit, management consulting and corporate finance practices. He has extensive investment banking experience in Australia having, prior to his current role with UBS, worked for Ord Minnett Securities (now J P Morgan), E.L. & C. Baillieu and Citigroup.

Robert holds a Bachelor's degree in Economics from The University of Sydney. He has been a Member of the Australian Institute of Company Directors since 2007 and is formerly a member of the Institute of Chartered Accountants in Australia and New Zealand.

Daniel Phillips

Dan has been a Director of Nuix since 2011, and acted as Chairman between 2018 and November 2020. Dan lives in Umina Beach, Australia.

Dan has more than 25 years' experience providing venture capital to high-growth companies in Australia, Asia, Europe, Israel, 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 a number of companies, including RecordPoint Software Holdings Pty Ltd, FoodByUs Pty Ltd, Haventec Pty Ltd, Forwood Enterprises Pty Ltd, Australian Philanthropic Services and HSCTUTE OPS CO Pty Ltd (Atomi). Dan also served as a member of the Australian Federal Government's ICT Advisory Board.

Dan is a member of the Chartered Accountants Australia & New Zealand (CA ANZ).

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 UK.

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's advisory work for boards now spans cyber security risk management and financial crime compliance.

Iain holds a Bachelor of Arts in French and 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.

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, Cash Converters Limited, Maggie Beer Holdings Limited and Fitzroy River Holdings Limited, and was formerly a Director of 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.

Jacqueline Korhonen

Jacqueline has over 30 years' experience in the Information Technology, Telecommunications and Financial Services sectors, where she built her career around transformation, P&L management, complex negotiations, project delivery, operations, strategy development and risk management.

She started her career as an engineer in IBM where she spent 23 years living and working across Australia, New Zealand, ASEAN, India and China. After leaving IBM, Jacqueline was appointed CEO of Infosys Australia and New Zealand, a position she held for six years. In the later years of her executive career Jacqueline was the CEO of SMS Management & Technology, an ASX listed IT Services company and subsequently returned to IBM as the Vice President of Cognitive Transformation Services across the Asia Pacific Region.

Jacqueline is now a Non-Executive Director (NED) and board advisor. She was a NED of NetComm Wireless (ASX: NTC) until 2019. She is currently a NED of MLC Insurance, Auswide Bank (ASX: ABA) and .au Domain Administration. In addition, Jacqueline is a member of the Board of Chief Executive Women.

Jacqueline holds a Bachelor of Science and Bachelor of Engineering with Honours from the University of Sydney and is a Graduate of the Australian Institute of Company Directors.

Jonathan Rubinsztein

Jonathan is a seasoned CEO with a track record of building world class global technology companies and leading high-performance teams in the technology sector.

Jonathan is a Non-Executive Director at Atturra (ASX:ATA) and previously was the Managing Director and CEO of Infomedia, Ltd, (ASX:IFM) an ASX-listed SaaS company.

Prior to that role, Jonathan was CEO and founding shareholder at UXC Red Rock Consulting, where he was instrumental in growing the business from a start-up to over 700 people across 13 offices in Australia, New Zealand, India, and Singapore.

Jonathan is also an active member of YPO Sydney Chapter and sits on the Board of Atturra Limited, an ASX-listed company.

Jonathan holds a Bachelor of Commerce from the University of Cape Town and a Postgraduate degree in Finance from Software & Information Industry Association. He also holds a Master of Business Administration from University of New South Wales and a Diploma from the Australian Institute of Company Directors. Jonathan was also a Founder and Director of RockSolid SQL, a company that built monitoring and automated data management software for over 18,000 databases globally.

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	135,000	240,000
Robert Mactier	175,000	–
Daniel Phillips	–	–
Sir Iain Lobban	–	250,000
Susan Thomas	315,300	–
Jacqueline Korhonen	–	–
Jonathan Rubinsztein	150,000	–

8. Meetings of Directors

The numbers of meetings of the Company's Board of Directors and Board Committees held during the financial year ended 30 June 2022 and each director's attendance at those meetings is set out below.

	Full Board		Remuneration and Nominations Committee		Audit and Risk Committee	
	Held[1]	Attended	Held	Attended	Held	Attended
Jeffrey Bleich	20	20	5	5	–	–
Robert Mactier	11	11	–	–	5	5
Daniel Phillips	20	20	5	5	12	12
Sir Iain Lobban	20	20	–	–	12	11
Susan Thomas	20	20	5	5	12	12
Jacqueline Korhonen	11	11	2	2	–	–
Jonathan Rubinsztein	8	8	–	–	–	–
Rod Vawdrey (former)	12	12	–	–	–	–

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

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 insures 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.

During the year, the Company paid a premium under a contract insuring each of the 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. Auditor

Following a competitive tender process, PwC resigned as auditor and KPMG was appointed as auditor on 31 January 2022.

11. Indemnification of auditors

Nuix has agreed to indemnify its auditors, KPMG, 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.

12. Audit and non-audit services

Details of the amounts paid or payable to the auditor (KPMG) for audit and non-audit services during the year are disclosed in Note 9.4.

The Company has decided to employ the auditor on non-audit services in additional to its statutory audit duties.

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 42 and forms part of the Directors' Report for the year ended 30 June 2022.

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

Signed:

Jeffrey Bleich
Chair

Sydney, Australia
31 August 2022

Jonathan Rubinsztein
Director

Sydney, Australia
31 August 2022

Auditor’s Independence Declaration

KPMG

Lead Auditor’s Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Nuix Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Nuix Limited for the financial year ended 30 June 2022 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Kenneth Reid

Partner
Sydney
31 August 2022

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Letter from Chair of Board Remuneration and Nomination Committee

Dear Shareholders

On behalf of the Board, I am pleased to present the Remuneration Report (**Report**) for Nuix Limited (**Nuix** or **the Group**) for the year ended 30 June 2022 (**FY22**).

FY22 – A year in overview

Transformation and renewed leadership

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 in the next phase of its development.

FY22 has been a year of challenges and change however our staff have continued to work hard to deliver a first class product to our customers.

In FY22, the Board announced important changes to its Executive Key Management Personnel (Executive KMP) to support the execution of the Group's strategy and delivery of value to our shareholders.

The Board was pleased to announce the appointment of Jonathan Rubinsztein as Chief Executive Officer and Executive Director (CEO) from 6 December 2021. Mr Rubinsztein is a seasoned technology executive who brings extensive experience and a proven track. The Group's former CEO and Executive Director Rod Vawdrey retired on 6 December 2021.

The Board was also pleased to announce that the Interim Chief Financial Officer (CFO), Chad Barton became the CFO permanently in October 2021 before moving into an expanded role of Chief Operating Officer (COO) and CFO (COO/CFO) from May 2022. As an accomplished and highly experienced listed company executive, Mr Barton has played a pivotal role since joining Nuix.

The Group was also delighted to announce the appointment of Rob Mactier in a newly created position of Deputy Chair and Non-Executive Director and myself, Jacqueline Korhonen as a Non-Executive Director in FY22 to complement the skills, experience and capabilities of the Nuix Board.

For the most part of FY22, the majority of our staff have worked from home and we have continued to maintain a strong focus on the wellbeing of our people. In the last four months of the year, as the world has started to open up, we have seen more of our staff return to office environments and find creative ways to connect with each other. Despite the challenges of the last 12 months, 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.

Executive remuneration at Nuix

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

With this in mind in FY22, we introduced a balanced scorecard approach under the FY22 short-term incentive (**STI**) for the CEO and COO/CFO in line with market practice. Their STI was assessed against a mix of financial and non-financial measures (in contrast to FY21 where the STI was determined solely based on revenue and EBITDA). The STI for the Executive Vice President, International (**EVP, International**) and Executive Vice President, Americas (**EVP, Americas**) was assessed against their relevant region revenue and relevant region contribution margin in order to drive performance in the countries in which Nuix operates.

An overview of our executive remuneration framework for our Executive KMP is outlined in section 3.

Linking FY22 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 all of our stakeholders.

Nuix has put in place a new leadership team to drive transformation and growth. We do acknowledge the experience of our shareholders and that we did not achieve the results that they would have expected.

In FY22, having regard to the Group's performance during the financial year (as outlined above):

- The FY22 STI outcomes are between 0% and 70% of maximum for Executive KMP, reflecting the performance of the business, the progress on the implementation of the strategy and the sales outcomes.
- There were no long-term incentive (**LTI**) awards that were eligible to vest for the CEO and COO/CFO. One-off equity awards to the EVP, International and EVP, Americas (who do not currently participate in the LTI plan) also did not vest based on the performance of the business.

Refer section 4 for further detail on remuneration outcomes for FY22.

Remuneration changes for FY23

During FY22, Nuix undertook a further review of the LTI plan for Executive KMP to ensure that outcomes under the plan were aligned with the turnaround of the business. Further detail of the new arrangements will be set out in the 2022 Notice of Annual General Meeting and the FY23 Remuneration Report.

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.

Jacka K

Jacqueline Korhonen
Chair of Remuneration and Nominations Committee

Remuneration Report – audited

For the year ended 30 June 2022

1. Who is covered by this report?

This Report outlines the remuneration arrangements in place for KMP of the Group in FY22, 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 FY22 KMP are set out in the table below.

Table 1: Overview of FY22 KMP

KMP	Current Position	Term As KMP
Executive KMP		
Jonathan Rubinsztein	CEO and Executive Director	Partial year from 6 December 2021
Chad Barton	COO/CFO	Full year
Jonathan Rees	Executive Vice President, International	Full year
Ethan Treese	Executive Vice President, Americas	Full year
Rod Vawdrey	Former CEO and Executive Director	Ceased as KMP on 6 December 2021
Non-Executive Directors		
Jeffrey Bleich	Independent Chairman	Full year
Robert Mactier	Independent Deputy Chairman	Partial year from 6 October 2021
Daniel Phillips	Non-Executive Director	Full year (Resigned 31 August 2022).
Sir Iain Lobban	Independent Non-Executive Director	Full year
Sue Thomas	Independent Non-Executive Director	Full year
Jacqueline Korhonen	Independent Non-Executive Director	Partial year from 6 October 2021

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.

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

3. FY22 – 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 being a force for good by finding truth in the digital world

- **RETURN TO STRONG TOP LINE GROWTH** – To fund the future
- **DEVELOP SALES EXCELLENCE** – Drive sales and partnering enablement
- **EVOLVE TECHNOLOGY TO MODULAR PLATFORM** – Cross-solution platform for large enterprise
- **REMOVE COMPLEXITY** – Simplify and streamline processes
- **ANTICIPATE FUTURE USE CASES** – Identify and monetise new use cases enabled by data processing
- **ENHANCE COMMERCIAL CAPABILITIES** – Improved financial systems and processes

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

OUR FRAMEWORK

Our remuneration framework aligns with our values and strategy

TOTAL FIXED REMUNERATION (TFR)

- 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

SHORT TERM INCENTIVE (STI)[1]

- Performance period of 1 year
- Assessed against a combination of revenue, cost base and other non-financial Group performance measures for the CEO and COO/CFO and relevant revenue and contribution margin (for the EVP, International and EVP Americas) as set by the Board
- Delivered in cash (2/3) and share rights (1/3) deferred for 12 months for the CEO and COO/CFO (and cash for the other Executive KMP). STI deferral in share rights, creates further alignment with shareholder interests and supports retention
- 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

LONG TERM INCENTIVE (LTI)

- Delivered in performance rights
- Assessed against revenue and EBITDA
- Performance rights vest progressively in thirds with the first being at initial vesting and then after a further 1 and 2 years and are subject to remaining employed
- LTI drives the delivery of Nuix's longer term objectives in a sustainable manner
- In FY22, only the CEO and COO/CFO participated in the LTI. The EVP, International and EVP, Americas did not participate in the LTI (instead being eligible for one-off equity awards – refer section 4.5)

KMP pay mix

Pay mix for performance

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

B. The EVP, International and EVP, Americas and their remuneration arrangements are consistent with other senior non-KMP staff. In FY22, they receive fixed annual remuneration, STI and eligibility for a one-off equity award, which did not meet the performance hurdles (they did not participate in the LTI).

4. FY22 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 FY22 performance is set out below.

Annualised Contract Value (ACV)

$162.0m

▼ Down 2.3% on FY21

Down 3.6% on constant currency basis

Net Dollar Retention (NDR)

96.8%

▲ Up from 95.5% in FY21

95.3% in constant currency

Gross Margin

87.9%

▼ Down from 89.3% in FY21

87.8% in constant currency

Customer Churn

5.4%

▲ Up from 3.7% in FY21

5.4% in constant currency

Subscription ACV

91.6%

▲ Up from 88.5% in FY21

91.5% on constant currency basis

Consumption ACV

$28.4m

▲ Up 40.6% on FY21

Up 39.1% on constant currency basis

Statutory Revenue

$152.3m

▼ Down 13.5% on FY21

Down 14.8% on constant currency basis

EBITDA

$12.1m

▼ Down 82.0% on FY21 pro forma

Down 83.7% on constant currency basis

Statutory Revenue - Americas

$82.7m

▼ Down 10% on FY21

Statutory Revenue - International

$69.6m

▼ Down 17% on FY21

Share price at 30 June 2022

$0.76

▼ Down 65.6% on FY21

Earnings per share (basic)

$(0.07)

▼ Down from $(0.00) in FY21

4.2 Total fixed remuneration (TFR)

Table 2 below sets out the annualised TFR payable to the Executive KMP in FY22 based on their contractual values. Executive KMP TFR levels have been set with regard to benchmarking data within the technology sector.

Table 2. Executive KMP fixed remuneration levels

Executive KMP	Total fixed remuneration (annualised) $
Jonathan Rubinsztein	723,568
Chad Barton	813,568
Jonathan Rees	515,687
Ethan Treese	457,351
Rod Vawdrey (former)	723,568

4.3 FY22 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 FY22 are set out in Table 3 below. The EVP, International and EVP, Americas had their STI calculated under the staff remuneration policy.

The Board determined that the former CEO Rod Vawdrey was not eligible for an STI in FY22 (refer section 6.4 for further detail on his exit arrangements).

Table 3. Executive KMP STI outcomes

			STI OUTCOMES (FY22)		
Executive KMP	Maximum STI opportunity ($)	Maximum STI opportunity (% TFR)	Value of STI awarded	% of FY22 STI awarded	% of FY22 STI award forfeited
Jonathan Rubinsztein[1]	335,417	75%	234,792	70%	30%
Chad Barton	474,000	60%	331,800	70%	30%
Jonathan Rees[2]	306,250	64%	0	0%	100%
Ethan Treese[2]	420,000	91%	147,000	35%	65%

1. Pro-rated for part year
2. For the EVP, International and EVP, Americas their maximum STI in the above table represents On Target Earnings (OTE)

B. FY22 STI – assessment of performance measures

An overview of performance against the FY22 STI measures is set out in the tables on the next page. As outlined, the CEO and COO/CFO were assessed against a balanced scorecard of financial and non-financial Group measures. The EVP, International and EVP, Americas were assessed against performance of the International and American businesses respectively in order to drive performance in the respective regions in which Nuix operates.

Table 4. Performance against FY22 STI performance measures for CEO and COO/CFO

STI PERFORMANCE MEASURES

Measure	Weighting	Outcomes	Explanation
Group revenue	25%	●	Nuix did not meet the revenue target in FY22, therefore no STI was awarded against this measure
Group cost base	15%	●	Nuix managed the cost base (excluding non-BAU legal expenses) and were under budget in FY22, therefore the maximum STI was awarded against this measure
Implementation of Group strategy	20%	●	Based on the Board's assessment of the implementation of the Nuix strategy for FY22, the Board determined the maximum STI was awarded against this measure
Non-financial measures • Culture and Employee engagement • Retention of key staff and key appointments • Key customer retention/ Financial management • Risk management	40%	●	Based on the Board's assessment of these measures, the Board determined 87.5% of the STI for other non-financial measures would be awarded

Key: ● Below threshold ● Between threshold and target ● Above target

Table 5. Performance against FY22 STI performance measures for EVP International and EVP Americas

STI PERFORMANCE MEASURES

Measure	Weighting	Outcomes	Explanation
Relevant region revenue	70%	EVP, Americas ● EVP, International ●	The Americas region achieved between threshold and target revenue for FY22 and in accordance with the staff Short-Term Incentive Policy, 50% of the measure was awarded to the EVP, Americas. The International region was below threshold and therefore no STI was awarded against this measure for the EVP, International.
Relevant region contribution margin	30%	●	Neither region achieved their contribution margin in FY22 and no STI was award against this measure.

Key: ● Below threshold ● Between threshold and target ● Above target

C. FY22 STI terms - further detail

Key terms and conditions applying to the STI arrangements for the Executive KMP during FY22 is set out below.

Table 6. Description of key terms of FY22 Executive KMP STI

SHORT TERM INCENTIVE – KEY TERMS

Term	Further detail – CEO and COO/CFO	Further detail – EVP, International and EVP, 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 is determined, 2/3 will be awarded in cash, the remaining 1/3 will be delivered in share rights to support alignment between the CEO and COO/CFO and Nuix's shareholders. Each share right will vest into one share after 12 months subject to continuing employment. For the CEO, 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. For the COO/CFO, the number of share rights granted will be calculated by dividing the dollar value attributable to those share rights by the 5-day VWAP immediately before the date of the grant.	Once the total dollar value of the STI earned 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 multiple performance measures being: • Group-wide revenue (25% weighting) • Group-wide cost base (15% weighting) • Implementation of strategy (20% weighting) • Other non-financial measures (40% weighting), this includes retention of key staff and key appointments, culture and engagement, key customer retention, financial management and risk management. It is considered that these metrics reflect not only the key financial drivers of value in the business but what is required to drive renewed growth. 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: • 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 and the EVP, International and EVP, Americas are assessed against performance of their respective regions in order to drive performance in the countries in which Nuix operates. 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).	

4.4 FY22 long term incentive awards – granted

A. Overview

The CEO and COO/CFO were eligible to participate in an LTI award for FY22. The awards were delivered in performance rights and vest in three equal tranches.

There was no LTI available for the EVP, International and EVP, Americas for FY22 (who instead received a one-off grant of performance rights – refer section 4.5).

The Board determined that the former CEO Rod Vawdrey was not eligible for an LTI in FY22 (refer section 6.4 for further detail on his exit arrangements).

Table 7. FY22 LTI awards to Executive KMP

Executive KMP	Maximum LTI opportunity ($)	Maximum LTI opportunity (% of TFR)
Jonathan Rubinsztein[1]	510,417	125%
Chad Barton	711,000	90%
Jonathan Rees	N/A	N/A
Ethan Treese	N/A	N/A

1. Pro-rated for service period

B. FY22 LTI key terms – further detail

Table 8 below outlines the key terms attaching to the LTI awards granted to Executive KMP during FY22.

Table 8. Key terms of FY22 LTI awards granted to Executive KMP

LONG TERM INCENTIVE – KEY TERMS

	Further detail
Entitlement	Subject to the satisfaction of the performance conditions, each LTI performance right 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 performance rights to be granted is calculated by dividing the participant's dollar value LTI opportunity for FY22 (as outlined in table 8 above) by the market value of the underlying share determined based on the 5-day VWAP before the grant date. For example, the COO/CFO will receive 333,787 Performance Rights which were calculated as the LTI opportunity of $711,000 divided by the 5-day VWAP of $2.13. The CEO grant is subject to shareholder approval.
Performance conditions and vesting schedule	The FY22 LTI performance rights are subject to performance testing against the following performance conditions: • Revenue (50%); and • EBITDA (50%). The revenue and EBITDA targets are assessed at the end of FY24. If the targets are met, one-third of the vested LTI performance rights will be available upon the release of the Company's financial results for each of FY24, FY25 and FY26. The vesting schedule in respect of the revenue and EBITDA measures is outlined below. Specific targets will not be disclosed until the end of FY24 due to commercial sensitivity.

LONG TERM INCENTIVE – KEY TERMS

	Further detail
	<table><tr><th></th><th>Level of vesting</th><th>Revenue</th><th>EBITDA</th></tr><tr><td>Threshold</td><td>66.6%</td><td>To be disclosed at the end of FY24</td><td>To be disclosed at the end of FY24</td></tr><tr><td>Maximum</td><td>100%</td><td>To be disclosed at the end of FY24</td><td>To be disclosed at the end of FY24</td></tr></table>
Treatment on cessation of employment	Where an Executive KMP ceases employment prior to the expiry date noted above: • **for cause or resignation**, the default position is that any unvested LTI performance rights will lapse (unless the Board determines otherwise); and • **in all other circumstances**, the LTI performance rights will remain on foot (unless the Board exercises its discretion to treat them as lapsed).
Forfeiture and clawback	Under the Nuix Employee Share Plan, forfeiture and claw-back provisions apply to the LTI performance 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 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).

4.5 One-off awards

A. One-off equity grant

In lieu of an LTI award, the EVP, International and EVP, Americas were eligible to participate in a one-off performance rights grant that was subject to the overall performance of Nuix for FY22. The grant was based on Nuix achieving or outperforming the revenue and EBITDA targets for FY22. 50% of the eligible grant was tested against the revenue and 50% was tested against EBITDA, neither of which Nuix achieved.

All other terms are consistent with the LTI awards outlined in section 4.4.

Table 9. FY22 Maximum one-off equity grant awards to Executive KMP

Executive KMP	Maximum one-off equity grant opportunity ($)	Maximum one-off equity grant opportunity (% of TFR)	Value of one-off equity grant awarded ($)
Jonathan Rees	$517,192	100%	$0
Ethan Treese	$453,981	100%	$0

B. Sign on equity for new CEO and COO/CFO

As noted above, Nuix appointed a new CEO and COO/CFO in FY22. In order to attract executives of this calibre and wealth of experience, sign-on incentives were provided as summarised below:

- CEO: subject to shareholder approval at the AGM in November, in recognition of incentives forfeited with his previous employer, Nuix provided a sign on grant at a face value of $2 million. The number of performance rights issued was 711,744, based on the 5-day VWAP being immediately preceding the date of signing of his contract (21 October 2021). The grant will be issued as performance rights and will vest in five equal tranches in the first trading window following the first and subsequent anniversary date of the start date. Each vesting is subject to a continued service hurdle.
- COO/CFO: Nuix provided a sign on grant at a face value of $500,000. The number of performance rights issued was 210,084, based on the 5-day VWAP being immediately preceding the effective date of his contract (1 July 2021). The grant will be issued as performance rights and will vest in five equal tranches in the first trading window following the first and subsequent anniversary date of the start date. Each vesting is subject to a continued service hurdle.

4.6 Legacy option awards

The EVP, International and EVP, Americas both have options that remain on foot that were granted to them prior to the IPO. These options are subject to remaining employed at vesting date. These options are due to expire on 31 October 2024 for the EVP, International and 30 September 2023 for EVP, Americas. Refer to table 16 for the number of options held and in table 10, the share-based payments include the cost of these options for this year.

4.7 Executive KMP remuneration statutory table

The table on the next page sets out Executive KMP remuneration for FY22 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 10. Statutory remuneration table

		Short-term benefits			Long-term benefits	Post-employment benefits	Share based payments			
	Financial year	Salary[1]	Cash bonus	Non-monetary benefits[2]	Long service leave	Super-annuation	Equity Settled	Termination benefits	Total	Proportion of remuneration performance-related
		$	$	$	$	$	$	$	$	%
Jonathan Rubinsztein (from 6 December 2021)	FY22	381,377	156,528	3,345	–	13,368	188,044	–	742,662	31%
	FY21	–	–	–	–	–	–	–	–	N/A
Chad Barton	FY22	845,723	221,200	–	–	25,813	249,741	–	1,342,477	27%
	FY21	23,636	–	–	–	2,245	–	–	25,881	0%
Jonathan Rees	FY22	480,596	–	–	–	19,834	314,089	–	814,519	39%
	FY21[3]	21,850	13,757	–	–	–	9,480	–	45,087	52%
Ethan Treese	FY22	439,285	147,000	–	–	15,466	303,207	–	904,958	50%
	FY21[1]	20,046	9,836	–	–	–	9,436	–	39,318	49%
Rod Vawdrey (until 6 December 2021)	FY22	322,414	–	2,863	39,975	11,784	131,853	350,000[4]	858,889	15%
	FY21	733,533	156,089	–	34,992	21,694	822,264[5]	–	1,768,572	27%
TOTAL	**FY22**	**2,469,395**	**524,728**	**6,208**	**39,975**	**86,265**	**1,186,934**	**350,000**	**4,663,505**	
TOTAL	**FY21**	**799,065**	**179,682**	**–**	**34,992**	**23,939**	**841,180**	**–**	**1,878,858**	

1. Includes annual leave expenses recognised during FY22.
2. Includes benefits such as, but not limited to, the provision of car parking and fringe benefits tax (FBT). FBT included is in respect of the FBT year ended 31 March 2022.
3. Prior year only for part of the year that they were KMP.
4. Relates to payment in lieu of notice.
5. Includes acceleration of remaining unamortized fair value of legacy options held by KMPs at the time of IPO that were subject to cancellation and recognized through Profit and Loss in FY21. Fair value of these options determined at original grant dates pre-IPO.

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.

Elements	Details
Market competitive	• The Board's policy is to pay Non-Executive Directors at market competitive rates to attract and retain high calibre Directors with the necessary skills, expertise and experience for the Nuix Board • In positioning fees, the Board has regards to fees payable by comparable companies (based on external benchmarking data) as well as the time commitment and workloads of Non-Executive Directors
Independence and impartiality	• No element of Non-Executive Director remuneration is 'at risk' (i.e. subject to performance conditions) in order to preserve the Directors' independence and impartiality • Two Non-Executive Directors held options over Nuix shares that were granted to them pre-IPO. These options are not performance tested so as not to conflict with their obligation to bring an independent judgement to matters before the Board. No options have been granted to Non-Executive Directors since Listing • It is not intended to grant options or performance rights to Non-Executive Directors in the future
Shareholder alignment	• Non-Executive Directors are encouraged to hold securities in the Company to create alignment between interests of Directors and shareholders

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 11 sets out the fees (inclusive of superannuation) payable to the Non-Executive Directors of the Group in respect of FY22.

The Chair and Deputy Chair do not receive separate fees for their participation in Board committees. Daniel Phillips was not paid fees for being a Non-Executive Director, or for chairing or being a member of any Board Committee, during FY22.

Table 11. Non-executive Director fees for FY22

NON-EXECUTIVE DIRECTOR FEES	
Position	Fees for FY22 (Annualised)
Chairman	$240,000
Deputy Chairman	$160,000
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. Of these options (as outlined in table 16), 240,000 and 250,000 still remain on foot for Mr Bleich and Sir Lobban at year end respectively.

The terms of the options remain the same and will lapse on 30 September 2023. In accordance with best practice and the Group's Remuneration Policy, these options do not have performance conditions attached and are intended as a one-off arrangement.

5.4 Non-Executive Directors – statutory remuneration

The fees paid or payable to the Non-Executive Directors of the Group in respect of FY22 are set out in the table on the next page.

Table 12. FY22 – Non-executive Directors statutory remuneration table

		Short-term benefits	Post-employment benefits	Share based payments	Total	
		Salary and fees	Super-annuation	Options	Total	Performance related
Non-Executive Director remuneration	Financial year	$	$	$	$	%
Jeffrey Bleich	FY22	240,000	–	–	240,000	0%
	FY21	228,556	–	392,787	621,343	0%
Robert Mactier (from 6 October 2021)	FY22	100,151	10,015	–	110,166	0%
Daniel Phillips	FY22	–	–	–	–	0%
	FY21	–	–	–	–	0%
Sir Iain Lobban	FY22	130,000	–	–	130,000	0%
	FY21	121,820	–	372,652	494,472	0%
Sue Thomas	FY22	136,364	13,636	–	150,000	0%
	FY21	130,231	7,591	–	137,822	0%
Jacqueline Korhonen (from 6 October 2021)	FY22	91,332	9,133	–	100,465	0%
Total	**FY22**	**697,847**	**32,784**	**–**	**730,631**	**0%**
Total	**FY21**	**480,607**	**7,591**	**765,439**	**1,253,637**	**0%**

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 1. Nuix's remuneration governance framework

Nuix Board

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.

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 polices and frameworks that govern both.

Remuneration and Nomination Committee

The role of the Remuneration and Nomination Committee is to assist the Board by reviewing and making recommendations to the Board in relation to:

- the Group's Remuneration Policy (including as it applies to Non-Executive Directors);
- remuneration packages of senior executives equity-based incentive plans and other employee benefit programs;
- the process by which the pool of Non-Executive Directors' fees approved by shareholders is allocated to Directors, succession issues and planning for the Board and senior executives 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
Management is responsible for preparing proposals to be considered by the Remuneration and Nomination Committee on remuneration arrangements and outcomes. Management also oversees the implementation of approved remuneration policies and processes.	External advisers may be used from time-to-time to supplement the Remuneration and Nomination Committees own information and insights (as required) and to ensure the Committee is appropriately informed when discharging its obligations.

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.

No remuneration recommendations (as defined in section 9B of the Corporations Act 2001) were obtained during the financial year ended 30 June 2022.

6.3 Details of Executive Service Agreements

Key terms of the service agreements of Executive KMP are summarised in Table 13 below.

Table 13. Key terms of Executive KMP contracts in FY22

EXECUTIVE SERVICE AGREEMENTS	
Element	**Further detail**
Duration	Ongoing term
Periods of notice required to terminate	The Group or Executive KMP may terminate the contract by giving the following notice: • CEO and COO/CFO - 6 months' written notice, • EVP, International and EVP, Americas – 90 days or 3 months' written notice 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.
Termination payments	Members of the Executive KMP may be entitled to termination payments in limited circumstances and subject to local legislative requirements and practices (but not when the termination occurs for cause). A payment may be made in lieu of notice at the discretion of the Board where termination occurs other than for cause.
Restraints	All Executive KMP are subject to post-employment restraints as follows: • CEO: 12 months • COO/CFO, EVP, International and EVP, Americas: 6 months

6.4 Treatment of equity arrangements for former CEO

As outlined in section 1, former CEO Rod Vawdrey ceased as KMP on 6 December 2021 and concluded his employment with the Group on the same day.

Table 14. Treatment of various incentives for former CEO

Incentive/Entitlement	**Further detail**
Notice period	Nuix provided notice to Mr Vawdrey on 6 December and he received a payment in lieu of his notice period which was paid in December 2021.
Short term incentive (section 4.3)	Mr Vawdrey was not awarded an STI payment for his service for FY22.
Legacy LTI award and FY22 LTI award (section 4.4)	The Board determined that Mr Vawdrey's FY21 LTI award (i.e. 169,891 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. There was no LTI award made for FY22.

7. Further information

7.1 Executive KMP and Director share ownership

Tables 15 and 16 below set out the number of shares held directly, indirectly or beneficially by KMP.

Table 15. 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 22
Non-Executive Directors					
Jeffrey Bleich	35,000	100,000	–	–	135,000
Robert Mactier	–	175,000	–	–	175,000
Daniel Phillips	–	–	–	–	–
Sir Iain Lobban	–	–	–	–	–
Sue Thomas	18,833	296,467	–	–	315,300
Jacqueline Korhonen	–	–	–	–	–
Executive KMP					
Jonathan Rubinsztein	–	150,000	–	–	150,000
Chad Barton	–	–	–	–	–
Jonathan Rees	4,610	–	–	–	4,610
Ethan Treese	–	–	–	–	–
Rod Vawdrey (former)	1,680,509	–	–	(1,680,509)	–

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Table 16. Movements in options and performance rights held under an employee share plan

	Instrument	Opening balance	Granted	Exercised	Cancelled	Lapsed	Balance 30 Jun 22	Exercisable 30 Jun 22
Non-Executive Directors								
Jeffrey Bleich	Options	240,000	–	–	–	–	240,000	240,000
Robert Mactier	Options	–	–	–	–	–	–	–
Daniel Phillips	Options	–	–	–	–	–	–	–
Sir Iain Lobban[1]	Options	250,000	–	–	–	–	250,000	250,000
Sue Thomas	Options	–	–	–	–	–	–	–
Jacqueline Korhonen	Options	–	–	–	–	–	–	–
Executive KMP								
Jonathan Rubinsztein	Options	–	–	–	–	–	–	–
	Performance Rights	–	1,039,946	–	–	–	1,039,946	–
Chad Barton	Options	–	–	–	–	–	–	–
	Performance Rights	–	751,766	–	–	–	751,766	–
Jonathan Rees	Options	420,041	–	–	–		420,041	–
	Performance Rights	–	117,100	–	–	117,000	–	–
Ethan Treese	Options	408,206	–	–	–	–	408,206	–
	Performance Rights	–	102,788	–	–	102,788	–	–
Rod Vawdrey (former)	Options	169,891	–	–	–	–	169,891	–

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

7.2 Movement of securities

Table 17 below discloses the number of options that vested or lapsed during FY22 for Non-Executive Directors and Executive KMP.

Table 17. 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	FY22	Options	–	–	–	–	–	–	–	–	–	–
Robert Mactier	FY22	n/a	–	–	–	–	–	–	–	–	–	–
Daniel Phillips	FY22	n/a	–	–	–	–	–	–	–	–	–	–
Sir Iain Lobban	FY22	Options	–	–	–	–	–	–	–	–	–	–
Sue Thomas	FY22	n/a	–	–	–	–	–	–	–	–	–	–
Jacqueline Korhonen	FY22	n/a	–	–	–	–	–	–	–	–	–	–
Executive KMP												
Jonathan Rubinsztein	FY22	n/a	–	–	–	–	–	–	–	–	–	–
Chad Barton	FY22	n/a	–	–	–	–	–	–	–	–	–	–
Jonathan Rees	FY22	n/a	–	–	–	–	–	–	–	–	–	–
Ethan Treese	FY22	n/a	–	–	–	–	–	–	–	–	–	–
Rod Vawdrey (former)	FY22	Options	–	–	–	–	–	–	–	–	–	–

7.3 Other transactions and balances with 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

The Group did not engage in any transactions with Executive KMP or their related parties during the year.

C. Other transactions

There were no other transactions that occurred with the Executive KMP or their related parties during the year.

Financial Report

For the Year Ended 30 June 2022

Consolidated statement of comprehensive income

As of 30 June 2022

	Notes	2022 $000	2021 $000
Revenue	2.1	152,310	176,068
Cost of goods sold		(18,440)	(18,851)
Gross profit		133,870	157,217
Sales and distribution		(60,022)	(52,399)
Research and development		(47,811)	(37,932)
General and administration	2.3	(50,787)	(68,598)
Other income	2.4	1,230	1,160
Net realised and unrealised foreign exchange gains/(losses)		1,045	(2,015)
Operating loss		(22,475)	(2,567)
Finance costs	2.5	(1,630)	(1,393)
Loss before income tax		(24,105)	(3,960)
Income tax benefit	3.1	1,314	2,554
Loss for the year		(22,791)	(1,406)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		7,873	(8,478)
Other comprehensive income, net of tax		7,873	(8,478)
Total comprehensive income for the year, net of tax		**(14,918)**	**(9,884)**
Earnings per share			
Basic	2.7	(0.07)	(0.00)
Diluted	2.7	(0.07)	(0.00)

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

Consolidated statement of financial position

For the year ended 30 June 2022

	Notes	2022 $000	2021 $000
Current assets			
Cash and cash equivalents	4.1	46,846	70,865
Trade and other receivables (including contract assets)	4.2	50,813	63,767
Other current assets	4.3	8,098	6,209
Current tax assets	3.4	1,918	–
Total current assets		107,675	140,841
Non-current assets			
Deferred tax assets	3.3	3,326	5,225
Intangible assets	5.1	237,125	197,415
Property and equipment	5.2	3,040	2,018
Right of use assets	5.3	11,189	9,036
Trade and other receivables (including contract assets)	4.2	11,762	9,474
Total non-current assets		266,442	223,168
Total assets		374,117	364,009
Current liabilities			
Trade and other payables	4.4	23,742	19,754
Deferred revenue	4.5	32,544	33,832
Provisions	4.6	2,898	2,878
Lease liabilities	5.3	2,802	2,635
Other current liabilities	9.1	7,528	–
Current tax liabilities	3.4	–	571
Total current liabilities		69,514	59,670
Non-current liabilities			
Deferred revenue	4.5	16,741	11,528
Provisions	4.6	1,017	542
Lease liabilities	5.3	10,848	8,727
Deferred tax liabilities	3.3	–	2,467
Other non-current liabilities	9.1	6,930	–
Total non-current liabilities		35,536	23,264
Total liabilities		105,050	82,934
Net assets		**269,067**	**281,075**
Equity			
Issued capital	8.1	370,696	370,696
Reserves	8.2	(163,539)	(174,322)
Retained earnings		61,910	84,701
Total equity		**269,067**	**281,075**

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the year ended 30 June 2022

	Issued capital $000	Share option reserve $000	Foreign currency translation reserve $000	Retained earnings $000	Total equity $000
Balance at 1 July 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**
Profit for the year	–	–	–	(22,791)	(22,791)
Other comprehensive income			7,873	–	7,873
Total comprehensive income	–	–	7,873	(22,791)	(14,918)
Share-based payments	–	2,910	–	–	2,910
Balance at 30 June 2022	**370,696**	**(168,731)**	**5,192**	**61,910**	**269,067**

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 2022

	Notes	2022 $000	2021 $000
Cash flows from operating activities			
Receipts from customers		171,544	164,482
Payments to employees and suppliers[1]		(139,410)	(152,039)
Interest received		1	17
Interest paid		(1,630)	(1,464)
Income tax paid	3.5	(385)	(195)
Net cash from operating activities	2.6	30,120	10,801
Cash flows from investing activities			
Payments for software development costs	5.1	(42,388)	(34,130)
Purchase of property and equipment	5.2	(2,358)	(1,051)
Purchase of intangible assets	5.1	–	(126)
Acquisition of Topos Labs, LLC, net of cash acquired	8.3	(6,861)	–
Net cash used in investing activities		(51,607)	(35,307)
Cash flows from financing activities			
Principal payments of lease		(2,727)	(3,739)
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[1]		–	(13,132)
Repayment of borrowings	4.7	–	(25,071)
Net cash provided by/(used in) financing activities		(2,727)	58,105
Net change in cash and cash equivalents		(24,214)	33,599
Cash and cash equivalents at beginning of financial year	4.1	70,865	38,539
Exchange differences on cash and cash equivalents		195	(1,273)
Cash and cash equivalents at end of financial year	**4.1**	**46,846**	**70,865**

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

1. In FY2021, 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 2.3). 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.

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.

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements. Comparative figures have been adjusted to conform to the current year's presentation.

1.1 Reporting entity

Nuix Limited ('Nuix' or 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 also comply with International Financial Reporting Standards and Interpretations ('IFRICs') adopted by the International Accounting Standards Board.

The financial statements were authorised for issue by the Board of Directors on 31 August 2022.

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 Going concern

At 30 June 2022, the Group is in a net current asset position of $38,161,000. At 30 June 2022 the Group had $46,846,000 available cash and cash equivalents (refer to note 4.1). The financial statements have been prepared on a going concern basis.

In preparing these financial statements, the Group has prepared and the Directors have considered cash flow forecasts, taking into account information currently available regarding current conditions and those, at least but not limited to, twelve months from the end of the reporting period. Important to these cash flows are the assumptions used regarding seeking to return to operating net cash inflows in FY24, the potential outcomes and timings of the regulatory and litigation matters as discussed in Note 9.6, and the access to other funding sources should they be required to achieve the Group's strategy. The uncertainties attached to funding sources, the unknown outcomes of the litigation matters together with the potential business impacts of the ongoing litigation matters, gave rise to the Group concluding that while there are uncertainties related to events or conditions that may depending on the circumstances, cast doubt on the entity's ability to realise its assets and discharge its liabilities in the normal course of business, it remains appropriate that the financial statements be prepared on going concern basis.

In forming this conclusion, the Directors consider that the Group has a business plan which appropriately considers the following assumptions, associated risks and mitigating factors:

- cash flow forecasts include new pricing plans, growth in revenue supported by the investment in sales capability and continued product development along with significant unusual matters such as the settlement of contingent consideration for the Topos Labs acquisition and ongoing legal fees. The Group is targeting to be cash flow neutral, excluding the impact of non-operational legal fees and M&A activity. There are risks to achieving this given business performance in FY22, forecast economic headwinds, and broader business impacts of the regulator and litigation matters;
- recent results of operating activities undertaken aligned with the new Nuix strategy including price rises and an improving NDR% have been taken into account when setting revenue forecasts used to derive forecast cash receipts;
- the potential timing and quantum of any adverse outcomes from the current regulator action. In applying the assumptions and judgements, we have had regard to the penalty regime, views of our advisors and potential likelihood of outcomes;
- the litigation and claims underway, in particular, consideration of the potential impact to the business if there was a significant adverse judgement in relation to the Sheehy claim in the cash forecast period. With the exception of legal fees, the forecasts do not include cash outflows related to the claim. Based on the views of our advisors, Nuix will continue to vigorously defend the proceedings and rejects the Sheehy claim in its entirety; and
- the Directors continue to assess debt financing options to provide medium- and long-term support for the business strategy. The Group has no current debt financing facilities and there is increased risk and uncertainty of debt financing becoming available to the Group in the cash forecast period.

The outcomes of these indicate sufficient cash balances throughout the next 12 months with a return to net cash inflows in the year ended 30 June 2024.

Further, the Group has prepared and the Directors have considered cash flow forecasts using a range of alternate scenarios, in particular as they relate to outcomes from the regulator and litigation matters. Additional mitigants available include:

- the ability to reduce forecast operating expenditure to retain cash, aligning timing of reductions and preservation of cash to expected legal milestones. Potential reductions are through ceasing recruitment of new staff, managing consulting spend, delaying the development of new products, and/or other cost reduction measures. While the Directors have determined these can be implemented as required to scale back cash outflows, they may impact the ability of the Group to achieve its strategy;
- in the event where there is a significant adverse outcome in the Sheehy Claim, the Group may, subject to legal advice sought at the time, seek a stay of judgement pending an appeal which is likely to be at least 12 months from the date of signing this financial report; and
- in the event that it is required, the ability to raise equity from existing and or new shareholders based on known levels of interest and support.

The Directors additionally have processes to monitor actual results closely such that mitigating actions can be taken at pace, in the amounts which may be required should they be required in the relevant timeframes.

Based on the above, the Directors are satisfied that it will be able to continue to realise its assets and discharge its liabilities in the normal course of business for a minimum of the next 12 months.

1.4 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.

1.4.1. 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.

1.4.2. 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.

1.5 Foreign currency transactions and balances

1.5.1. 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.

1.5.2. 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.

1.6 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 2021. The Group did not have to change its accounting policies or make retrospective adjustments to adopt these standards, as they did not have a significant impact on the Group's consolidated financial statements.

1.7 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 2022 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.

1.8 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 and recoverability of tax assets – Note 3;
- Capitalisation and useful life of intangible assets – Note 5.1;
- Impairment testing of goodwill – Note 5.4;
- Share-based payment expense – Note 6.2;
- Business combinations – Note 8.3; and
- Contingent liabilities – Note 9.6.

1.9 Significant events and transactions

The Group acquired Topos Labs, LLC on 20 September 2021, a developer of Natural Language Processing software that helps computer systems better understand text and spoken words at speed and scale. Refer to Note 8.3 for further details related to the accounting for transactions related to this acquisition, and an explanation of how the acquisition has impacted the results for the year ended 30 June 2022.

During the year ended 30 June 2022, central banks including the Reserve Bank of Australia have lifted the risk-free rate of interest. Notwithstanding this change in the macroeconomic environment, no impairment has been recognised against the intangible assets of the Group (refer to Note 5.4).

For a detailed discussion about the Group's performance and financial position, refer to the 'Operating and financial review' included in the Directors' Report.

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 without a significant financing component 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.

1.11 Goods and services tax

Revenues, expenses and assets are recognised net of the associated goods and services tax (GST), value-added tax (VAT), and sales tax unless when the tax 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 tax 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 teams' 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, 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.

1.13 Fair value measurement

A number of the Group's accounting policies require the measurement of fair values, for both financial and non-financial assets and liabilities. The carrying amounts of cash and cash equivalents, trade and other receivables, and trade and other payables are assumed to approximate their fair values due to their short-term nature. When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs to the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on market observable data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest input that is significant to the entire measurement. The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The Group does not have any debt securities or derivative financial instruments which require measurement at fair value. As the inputs to the valuation of contingent consideration are not based on observable market data, this is deemed a Level 3 measurement of fair value.

Refer to Notes 8.3 and 9.1 for fair value disclosures related to contingent consideration.

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

	2022 $000	2021 $000
Software (including related support and maintenance)	146,418	171,513
Services	5,840	4,465
Hardware	52	90
	152,310	176,068

Disaggregation of revenue

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

Revenue by type

	2022 $000	2021 $000
Subscription licences	88,953	119,049
Perpetual licences	26,174	30,442
Consumption licences	31,291	22,022
Total licence revenues (including related support and maintenance)	146,418	171,513
Professional services	5,840	4,465
Hardware	52	90
Total other revenues	5,892	4,555
Total revenues	152,310	176,068

Timing of revenue recognition

	2022 $000	2021 $000
Point in time	94,094	118,592
Over time	58,216	57,476
	152,310	176,068

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.

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 software as a service ('SaaS') offering Discover SaaS, revenue is recognised over time as they are delivered. 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 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.

We recognise an asset for the incremental costs of obtaining a contract with a customer if the Group expect the benefit of those costs to be longer than one year. The Group has determined that certain sales incentives meet the requirements to be capitalised.

The Group applies a practical expedient to expense costs as incurred for costs to obtain a contract with a customer when the amortisation period would have been one year or less. These costs include our internal sales commission compensation program and reseller margin where it has been determined that the reseller is acting as an agent for Nuix.

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. The Group records 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, the Group generally invoice customers annually at the beginning of each annual coverage period. The Group records a receivable related to revenue recognised for multi-year on-premises licences as the Group has 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, the Group 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 upfront.

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.

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 and pricing practices.

Recognition of revenue on sales made through partners

Where the Group transacts with customers through partners, the Group is 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 has 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

	2022 $000	2021 $000
Software	146,418	171,513
Services	5,840	4,465
Hardware	52	90
Total revenue	152,310	176,068

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.

Key elements adjusted against statutory loss after tax to derive segment EBITDA are as follows:

	2022 $000	2021 $000
Net loss after tax	(22,791)	(1,406)
Less: Income tax benefit	1,314	2,554
Loss before income tax	(24,105)	(3,960)
Add: Depreciation and amortisation	35,584	31,072
Less: Net foreign exchange (gains)/losses	(1,045)	2,015
Add: Interest expense	1,630	1,393
EBITDA	12,064	30,520

Geographic Information

Revenue generated by location of customer[1]	2022 $000	2021 $000
Asia Pacific	34,479	29,519
Americas	82,708	92,348
Europe, Middle East and Africa (EMEA)	35,123	54,201
	152,310	176,068

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

Non-current assets by geographic location	2022 $000	2021 $000
Asia Pacific	134,928	121,272
Americas	129,492	99,604
Europe, Middle East and Africa (EMEA)	2,022	2,292
	266,442	223,168

2.3 Loss for the year

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

	Notes	2022 $000	2021 $000
Expenses (included in general and administration)			
Legal fees – operational		1,841	1,623
Legal fees – non-operational[1]		13,796	–
Offer costs[2]		–	32,277
Corporate action/trade sale[3]		–	2,637
Listing fees		–	1,014
Bad debts expense		1,221	2,215
Low value/short term leases		313	106
Employee benefit expenses, inclusive of share-based payment expenses (recognised across functions)	6.1		
Sales and distribution		55,226	50,442
Research and development		13,950	9,954
General and administration		15,904	15,317
Depreciation and amortisation (recognised across functions)			
Sales and distribution		2,378	2,615
Research and development		31,948	27,157
General and administration		1,258	1,300
Finance costs			
Interest expense	2.5	1,630	1,393

1. Relates to costs for Group's defences to the actions brought as disclosed in Note 9.6, and legal advice for the acquisition of Topos Labs, LLC.
2. The total costs related to the offer in the prior corresponding period 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.
3. Relates to one-off costs of a sale process explored by Nuix Limited as an alternative to the Offer in the prior corresponding period.

2.4 Other income

	2022 $000	2021 $000
Government grant income	1,157	1,086
Other income	73	74
	1,230	1,160

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

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.

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.

2.5 Finance costs

	2022 $000	2021 $000
Interest expense	1,630	1,393
	1,630	1,393

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

	2022 $000	2021 $000
Cash flows from operating activities		
Loss for the year (before income tax)	(24,105)	(3,960)
Non-cash charges recognised in profit and loss:		
Depreciation	3,856	4,567
Amortisation of intangible assets	31,728	26,506
Amortisation of capitalised borrowing costs	66	69
Bad debts expense	1,221	2,225
Share-based payment expense	2,997	4,627
Net exchange rate differences	604	1,686
Changes in assets and liabilities:		
Decrease/(increase) in trade and other receivables	9,346	(15,884)
(Increase)/decrease in deferred tax asset	(257)	381
Increase in other current assets	(2,717)	(4,310)
Increase/(decrease) in trade and other payables	3,444	(3,035)
Increase/(decrease) in deferred revenue	3,247	(3,073)
Increase in employee benefits provisions	702	1,542
Decrease in current tax liabilities	(543)	(377)
Increase in deferred tax liabilities	–	(165)
Increase in provision for make good	531	2
Net cash from operating activities	**30,120**	**10,801**

2.7 Earnings per share

	2022 $000	2021 $000
Loss for the year	(22,791)	(1,406)
Weighted average number of ordinary shares (basic)	317,314,794	295,123,838
Basic earnings per share (in dollars)	(0.07)	(0.00)
Loss for the year	(22,791)	(1,406)
Weighted average number of ordinary shares (basic)	317,314,794	295,123,838
Shares issuable in relation to equity-based compensation scheme	4,527,969	18,519,920[1]
Effect of share options and performance rights	Antidilutive[2]	Antidilutive[2]
Diluted weighted average number of ordinary shares	321,842,763	295,123,838
Diluted earnings per share (in dollars)	(0.07)	(0.00)

1. Calculated as the gross shares issuable under option (i.e. not calculated using the treasury method).
2. In the year ended 30 June 2022, 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 2022 (30 June 2021: Antidilutive).

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.

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

	2022 $000	2021 $000
Current tax expense		
Current tax on profits for the year	1,141	5,039
Total current tax expense	1,141	5,039
Deferred tax expense		
Increase in deferred tax assets	(1,619)	(4,727)
Decrease in deferred tax liabilities	(7,370)	(2,866)
Decrease in deferred tax assets (initially recognised directly in equity)	788[1]	–
Changes in estimates related to prior years	5,746[2]	–
Total deferred tax benefit	(2,455)	(7,593)
Income tax benefit	**(1,314)**	**(2,554)**

1. This relates to section 40-880 deduction recognised and amortised over 5 years in respect to the IPO costs incurred in December 2020.
2. The changes in estimates are attributed to Nuix Limited of $3,921,000 and mainly relates to derecognition of R&D tax offsets to align with the amended FY2019 and lodged FY2020 and FY2021 tax returns which were finalised during FY2022. These adjustments to estimates previously made as to the eligible R&D activities and expenditure during the relevant years are reflected above. The remaining amount relates to book to return adjustments attributable to the overseas subsidiaries relating to the accounting for the tax treatment of deferred revenue restatements in a prior year for US, UK, and Irish tax purposes.

3.2 Reconciliation of effective tax rate

	2022 $000	2021 $000
Loss before income tax expense	(24,105)	(3,960)
Tax at the Australian tax rate of 30% (2020: 30%)	(7,232)	(1,188)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment	46	7
Share-based payments	899	1,388
Interest expense	18	–
Difference in overseas tax rates	114	(1,121)
Benefit of Australia R&D tax credit amortised to other income	(347)	(326)
Benefit of United States R&D tax credit recognised in income tax expense	(924)	(660)
Benefit of Australia R&D tax credit recognised in income tax expense	(3,058)	(2,907)
Non-deductible R&D expenditures	2,383	2,265
Recognition of permanent benefits on R&D at 8.5%	675	642
Changes in estimates related to prior years – Nuix Limited[1]	3,921	1,899
Changes in estimates related to prior years – Nuix North America and other subsidiaries[1]	1,825	(2,437)
Others	366	(116)
Income tax benefit	**(1,314)**	**(2,554)**

1. The changes in estimates attributed to Nuix Limited of $3,921,000 mainly relates to derecognition of R&D tax offsets to align with the amended FY2019 and lodged FY2020 and FY2021 tax returns which were finalised during FY2022. These adjustments to estimates previously made as to the eligible R&D activities and expenditure during the relevant years are reflected above. The remaining amount relates book to return adjustments attributable to the overseas subsidiaries relating to the accounting for the tax treatment of deferred revenue restatements in a prior year for US, UK, and Irish tax purposes.

3.3 Deferred tax balances

Deferred tax assets

	2022 $000	2021 $000
Research and development tax credit to carry forward	19,708	20,314
Employee benefits	1,814	1,374
Deferred revenue	4,670	6,193
Lease liabilities	3,174	2,794
Tax losses	10,188	820
s40-880 'black hole' deductions related to IPO costs	9,077	12,106
Accruals and provisions	–	1,207
Others	2,239	1,858
Total deferred tax assets	50,870	46,666
Set-off deferred tax liabilities pursuant to set-off provisions	(47,544)	(41,441)
Net deferred tax assets	3,326	5,225

Deferred tax liabilities

	2022 $000	2021 $000
Intellectual property	44,018	39,136
Right of use assets	2,576	2,220
Property and equipment	950	–
Unbilled revenues	–	1,152
Others	–	1,400
Total deferred tax liabilities	47,544	43,908
Set-off deferred tax assets pursuant to set-off provisions	(47,544)	(41,441)
Net deferred tax liabilities	–	2,467

In the prior year, $3,939,000 of the deferred tax asset related to offer costs was recognised directly in equity as it is related to the portion of the offer costs associated with the issuance of new equity.

3.4 Current tax assets/(liabilities)

	2022 $000	2021 $000
Opening balance	(571)	(327)
Current income tax provision (net of tax credits)	(287)	(454)
Income tax payments	385	195
Prior year adjustments	2,367	47
Foreign exchange difference	24	(32)
Closing balance	1,918[1]	(571)

1. The current tax liability account is in a net refund position due to the application of the tax loss carry back rules for US tax purposes in relation to Nuix North America Inc. Under the tax loss carry back rules for US tax purposes, Nuix North America Inc. is expected to amend the FY2015 to FY2019 tax returns to apply the tax losses incurred in those years of approximately US$6.9m and is expected to result to a cash refund.

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.

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 are 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.

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 Cyber Security Project ('Endpoint Project'), the relevant overseas and Australian activities were the subject of the Advance Overseas Finding for the years ended 30 June 2016 (FY2016) to 30 June 2018 (FY2018). The relevant advance overseas finding continues to be in force.

The 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 reasonable estimates of actual and anticipated expenditures on the activities provided by the Group totalling $42,673,000 in the course of the application for the Advance Overseas Finding in September 2016 for years FY2016 to FY2018 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 FY2016 to FY2018. The judgement that it is probable that the tax treatment for the Endpoint Project for the years FY2016 to FY2018 would be accepted by the ATO has remained consistent in the preparation of both the current and prior year financial statements.

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 (FY2019). Accordingly, the Group did not claim R&D tax offsets for expenditures relating to the Endpoint Project in the FY2019 and later years. For completeness, the Group has amended its filed tax position for FY2019 to align the tax return treatment with the financial statement treatment adopted in the finalisation of the financial statements.

The Group, in preparing the financial statements, determined that the potential implication of the filed position for FY2016 to FY2018 if the tax authority will not accept the treatment applied would be that the deferred tax asset of $3,269,000 and a deferred government grant revenue balance of $1,352,000 would be derecognised.

In FY2022 the Group has initiated an early engagement request with the ATO to obtain certainty in relation to the eligibility of the overseas development expenditures on the Endpoint Project for FY2016 to FY2018. Having considered the observations and recommendations provided by the ATO as part of the early engagement, management have concluded that it is likely that the tax authority will accept the filed positions for FY2016 to FY2018.

Recoverability of tax assets

Evaluating the need for a provision for recoverability of deferred tax assets often requires significant judgement and extensive analysis of all the evidence available to determine whether all or some portion of the deferred tax assets will not be realised. A recoverability provision must be established for deferred tax assets when it is more-likely-than-not (a probability level of more than 50%) that they will not be realised.

Management have assessed all evidence available including historical utilisation patterns, anticipated timing of the reversal of deductible and taxable temporary differences and forecast future assessable income, and notwithstanding the tax loss incurred in FY2022 have determined that it is more-likely-than-not that the tax assets will be utilised.

Accordingly, no recoverability provision has been recognised against the deferred tax assets.

3.5 Income tax paid by legal entity

	2022 $000	2021 $000
Nuix North America Inc	140	–
Nuix Ireland Ltd	89	6
Nuix Limited	63	–
Nuix Holding Pty	59	–
Nuix Philippines Regional Operating Headquarters	29	10
Nuix Pte. Ltd.	5	11
Nuix Technology UK Limited	–	168
	385	195

3.6 Franking credits

Franking credits arising from the payments of income tax, by Nuix Limited in prior years until 30 June 2022 are represented below.

Franking credits attributable to the Company	2022 $000	2021 $000
Franking credits available for subsequent financial years based on a tax rate of 30% (2021: 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 (2021: Nil); and
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date (2021: Nil).

Franking credits attributable to Nuix Limited as an ASX listed company only are represented above. Additional franking credits will be received if the distributable profits of the subsidiaries were paid as dividends to the Nuix Limited.

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

	2022 $000	2021 $000
Bank balances	46,846	70,865
Total cash and cash equivalents	46,846	70,865

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 note 1.10 for accounting policies and disclosures related to financial instruments.

4.2 Trade and other receivables (including contract assets)

	2022 $000	2021 $000
Trade receivables	29,309	30,354[1]
Provision for impairment of trade receivables and unbilled revenue	(1,007)	(1,565)
Unbilled revenue	34,273	44,365[1]
Other debtors	–	87
Total trade and other receivables	62,575	73,241

1. Comparative amount of $9,474,000 was reclassified from unbilled revenue to trade receivables for consistency.

Presentation of balances

	2022 $000	2021 $000
Current	50,813	63,767
Non-current	11,762	9,474
Total trade and other receivables	62,575	73,241

Ageing of overdue receivables

	2022 $000	2021 $000
1 – 3 months	3,212	3,601
4 – 6 months	365	561
Over 6 months	1,232	1,176
	4,809	5,338

The Group does not disclose further qualitative information related to remaining performance obligations, as they are either part of a contract that has an original expected duration of one year or less; or the associated revenue is recognised in the amount to which the Group has a right to invoice.

Accounting policies – trade and other receivables (including contract assets)

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 licences that cover a multi-year period. As the term of a licence is a characteristic of the licence 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 licence is recognised as revenue when the licence is delivered to the customer, the contractual term of the licence period begins, and the customer can benefit from having the licence.

Refer to note 1.10 for accounting policies and disclosures related to financial instruments.

4.3 Other current assets

	2022 $000	2021 $000
Prepayments	6,164	6,057
Costs of obtaining contracts	1,650	–
Other receivables	284	152
Total other current assets	8,098	6,209

4.4 Trade and other payables

	2022 $000	2021 $000
Sundry payables and accrued expenses	16,626	9,670
Trade payables	5,311	5,846
Customer deposits	245	186
Payroll tax and other statutory liabilities	878	3,686
Indirect taxes payable	682	366
Total trade and other payables	23,742	19,754

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 Note 1.10 for accounting policies and disclosures related to financial instruments.

4.5 Deferred revenue

	2022 $000	2021 $000
Customer-related		
Support and maintenance on term licences	15,026	14,946
Term licences (billed) commencing post balance date	3,370	7,284
Support and maintenance on perpetual licences	14,862	12,561
Perpetual licences commencing post balance date	–	32
Consumption income	8,189	2,138
Professional services income	2,922	3,004
	44,369	39,965
Tax incentive-related		
Research and development	4,916	5,395
Total deferred revenue	49,285	45,360

Movements during the year of customer related deferred revenue

	2022 $000	2021 $000
Opening balance	39,965	41,952
Revenue recognised in the current year	(71,164)	(80,016)
Non-cancellable right to invoice established during the period	74,518	79,817
Exchange differences	1,050	(1,788)
Closing balance	44,369	39,965

Movements during the year of tax incentive related deferred revenue

	2022 $000	2021 $000
Opening balance	5,395	5,839
Other income recognised in the current year	(1,157)	(1,086)
Additional research and development incentive	678	642
Closing balance	4,916	5,395

Presentation of balances

	2022 $000	2021 $000
Current	32,544	33,832
Non-current	16,741	11,528
Total deferred revenue	49,285	45,360

4.6 Provisions

	2022 $000	2021 $000
Current		
Annual leave	2,547	2,519
Long service leave	351	359
	2,898	2,878
Non-current		
Long service leave	181	237
Make good obligation	836	305
	1,017	542

Movements in make good obligation during the year

	2022 $000	2021 $000
Make good obligation		
Opening balance	305	303
Charged to profit or loss	531	2
Closing balance	836	305

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, Foster Plaza Building 3 in Holiday Drive Suite 300 in Pittsburgh, and Unit 201 Alameda Del Prado in Novato 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 Borrowing facility

Secured liabilities

Nuix Limited had a Facility Agreement with the Commonwealth Bank of Australia ('CBA') which provided funding to the Company through a Cash Advance Facility for the period to 11 September 2022.

Funding under the Cash Advance Facility was available under two tranches, being Tranche A for AUD $40,000,000 and Tranche B for USD $7,500,000. Accordingly, the available funding under the facilities as denominated in Australian dollars fluctuated from period to period, with $50,000,000 being available under these facilities as of 30 June 2022 (2021: $50,000,000). The Company had not drawn on either of these facilities during the year ended 30 June 2022, nor subsequent to 30 June 2022.

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.

Given that the Company has not been utilising the Cash Advance Facility over the preceding 12 months and has $46,846,000 cash available at 30 June 2022, the Group has, post year-end, terminated the Facility Agreement with CBA. The Company will continue to assess its ongoing liquidity requirements.

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.

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 the Group has 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 'normalise 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.

Nuix acquired Topos Labs, LLC during the year, to further expand the capability of the Nuix Engine and related Nuix platform products in Natural Language Processing. Activities to complete integration of the capability of this acquired Intellectual Property with Nuix platform products are ongoing and anticipated to be completed in the short term, enabling Nuix to make available to customers of Nuix platform products solutions that are enabled by the acquired NLP technology.

5.1 Intangible assets

Reconciliation of carrying amount

	Goodwill $000	External licenses $000	Brand $000	Intellectual property $000	Total $000
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 and 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 and impairment	–	(2,035)	–	(85,260)	(87,295)
Balance at 30 June 2021	4,145	111	666	192,493	197,415
Year ended 30 June 2022					
Balance at 1 July 2021	4,145	111	666	192,493	197,415
Effect of movements in exchange rates – cost	384	140	62	8,993	9,579
Effect of movements in exchange rates – accumulated amortisation and impairment	–	(133)	(7)	(2,719)	(2,859)
Acquisition via business combination[1]	13,872	–	95	7,088	21,055
Additions	–	–	–	42,388	42,388
Transfers from other asset classification	–	1,275	–	–	1,275
Amortisation	–	(362)	(246)	(31,120)	(31,728)
Balance at 30 June 2022	18,401	1,031	570	217,123	237,125
Carrying amount at 30 June 2022					
At cost	18,401	3,786	823	336,222	359,232
Accumulated amortisation and impairment	–	(2,755)	(253)	(119,099)	(122,107)
Balance at 30 June 2022	18,401	1,031	570	217,123	237,125

1. Following the Topos Labs acquisition, the US Dollar denominated balances of the intangible assets acquired as a part of the business combination are: Goodwill: US $9,536,000; Brand: US $65,000; Intellectual property: US $4,873,000. The difference between the Australian Dollar denominated balances in Note 5.1 and Note 8.3 arises from the movement in the foreign currency exchange rates between the acquisition date 20 September 2021 and the year end date 30 June 2022. The balances in Note 8.3 were presented using foreign exchange rate at 20 September 2021 (1.37 AUD to 1 USD) whereas the balances in Note 5.1 were translated using the foreign exchange rate at 30 June 2022 (1.45 AUD to 1 USD).

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 licences

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

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 is not amortised. Intangible assets, other than goodwill, have finite useful lives. Goodwill has an indefinite useful life.

Class of intangible	Depreciation rate (per year)
External software	20% - 33%
Brand	25% - 100%
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 and computer equipment $000	Furniture and fixtures $000	Leasehold improvement $000	Total $000
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
Year ended 30 June 2022				
Balance at 1 July 2021	1,100	175	743	2,018
Effect of movements in exchange rates – cost	614	82	174	870
Effect of movements in exchange rates – accumulated depreciation	(591)	(76)	(145)	(812)
Additions	1,030	625	703	2,358
Disposals	–	–	–	–
Depreciation	(829)	(191)	(374)	(1,394)
Balance at 30 June 2022	1,324	615	1,101	3,040
Carrying amount at 30 June 2022				
At cost	12,665	1,734	4,750	19,149
Accumulated depreciation	(11,341)	(1,119)	(3,649)	(16,109)
Balance at 30 June 2022	1,324	615	1,101	3,040

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 property 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	Consistent with lease term (10-33%)

5.3 Leases

Amounts recognised in the balance sheet

	2022 $000	2021 $000
Right of use assets, net of depreciation	11,189	9,036
Lease liabilities		
Current	2,802	2,635
Non-current	10,848	8,727
Lease liabilities	13,650	11,362

Right of use assets	2022 $000	2021 $000
Balance at 1 July	9,036	12,872
Additions	4,536	–
Termination of lease, net of accumulated depreciation	–	(6)
Remeasurement of ROU assets	–	80
Depreciation expense	(2,462)	(3,276)
Exchange difference	79	(634)
Balance at 30 June	11,189	9,036

Amounts recognised in profit and loss

	2022 $000	2021 $000
Depreciation charge of right-of-use assets	2,462	3,276
Interest expense (included in finance cost)	539	573
Expenses relating to short-term leases	248	285
Expenses relating to leases of low-value assets that are not shown above as short-term leases	65	68
	3,314	4,202

Amounts recognised in statement of cash flows

	2022 $000	2021 $000
Total cash outflow for leases	3,266	3,935

Extension options

Some property leases contain extension options exercisable by the Group to up to twelve months before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at the lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group has estimated that the potential future lease payments, should it exercise the extension options across all leases where they are available, would result in an increase in lease liability of $6,462,000.

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.

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.

5.4 Impairment testing of non-financial assets

Allocation of Goodwill to CGUs

Management have identified that the Group has two CGUs as of 30 June 2022, until the completion of the integration of Topos Labs, LLC into the Nuix platform CGU. On the acquisition of Topos Labs, LLC in September 2021, the majority of the goodwill from this acquisition was allocated to the Nuix platform CGU as it is this CGU that will benefit from the synergies of the acquisition, and a small amount was allocated to the Topos CGU reflecting the standalone goodwill of the Topos Labs, LLC business as of the date it was acquired, primarily relating to the value of the assembled workforce.

	2022 $000	2021 $000
Nuix platform CGU	16,873	4,145
Topos CGU	1,528	–
	18,401	4,145

Key assumptions in the Nuix platform CGU discounted cash flow model

A value-in-use discounted cash flow model has been used at 30 June 2022 to determine the recoverable amount of the Nuix platform CGU. 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 over a five-year period, with a perpetuity growth rate beyond that. In modelling forecast revenues, gross margins and expenses for the Group, management have used the FY2023 board approved budget as an input. The perpetuity growth rate was set consistent with consensus views on long term GDP growth rates.

The following inputs and assumptions have been adopted:

	2022	2021
Post-tax discount rate per annum	10.6%	9.8%
Pre-tax discount rate per annum	15.1%	14.0%
Long-term perpetuity growth rate	2.5%	2.5%

Key assumptions in determining the Topos Labs CGU recoverable amount

A fair value less cost to sell model has been used to determine the recoverable amount of the Topos Labs CGU as of 30 June 2022. This model included a determination of the fair value less of each of the assets attributed to the CGU, on a basis consistent with that used in determining the fair value of assets acquired in the business combination, an estimation of the fair value attributable to the Assembled Workforce that would be available to a transaction to sell the business to a market participant, and a view on a market participant's opportunities for realising value from such an acquisition, less costs to sell.

Sensitivity analysis

The key estimates and assumptions used to determine the recoverable amount of a cash generating unit are based on management's current expectations after considering past experience, future plans and external information. They are considered to be reasonably achievable, however significant changes in any of these key estimates or assumptions may result in a cash generating unit's carrying value exceeding its recoverable amount, requiring an impairment charge to be recognised.

For the Nuix platform CGU, although the recoverable amount exceeds the carrying amount by more than $100 million, impairment testing is sensitive to changes in the discount rate. An increase in the post-tax discount rate above 13.3% would cause the carrying amount of the Nuix platform CGU to exceed its recoverable amount. Additionally, an increase in the forecast annualised growth rate for costs during the explicit forecast period of 40%, or if the annual revenue growth achievement was less than 85% of target, would cause the carrying amount of the Nuix platform CGU to exceed its recoverable amount.

For the Topos CGU, a reasonably possible change in any of the assumptions used does not result in an impairment charge.

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 concluded that whilst the Intellectual Property from the Topos Labs acquisition is yet to be fully integrated into the Nuix platform until sales of an integrated solution are made to customers, the cash inflows from the Topos Labs acquisition are substantially independent of those for the rest of the Nuix platform. Accordingly, from the date of the acquisition of Topos, management have identified that the Group has two CGUs. This is in contrast to the conclusions reached as of 30 June 2021 where it was determined that the cash inflows of the Group were so integrated (including those from sales relating to Nuix Discover) that the Group only had one CGU at that point in time.

Whilst a portion of the goodwill from the acquisition of Topos Labs is indicative of the 'standalone goodwill' of Topos Labs as a business prior to acquisition, the majority of the goodwill from the acquisition relates to the growth expectations and expected synergies to be achieved from integrating the NLP software into the Group's existing products.

As a result, most of the goodwill on acquisition is allocated to the Nuix platform CGU, with a de minimis amount of goodwill allocated to the Topos CGU.

Management have determined that it is appropriate that testing for impairment of each of these CGUs is required to comply with the requirements of the accounting standards, as goodwill has been allocated to each of them.

Given the recent measurement of the acquired assets from the Topos acquisition at fair value, and the requirement that recoverable amount for a CGU be set at no less than the higher of fair value less costs to sell, or value-in-use, management have determined that the carrying amount of the Topos CGU is supported by its fair value less costs to sell, and accordingly no impairment has been recognised.

Management have prepared a value-in-use model for the Nuix platform CGU which is based upon the financial plans approved by the Board for the year ending 30 June 2023, the closing balance sheet for the year ended 30 June 2022, expectations around realisation of assets and settlements of liabilities on balance sheet as of 30 June 2022, projected revenues, gross margins and expenses determined with reference to historical company experience, industry data and management's expectations for the future. This model determined a recoverable amount in excess of the carrying amount of the Nuix platform CGU, and accordingly no impairment has been recognised.

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 Group 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

	2022 $000	2021 $000
Wages and salaries		
Sales and distribution[1]	53,830	49,303
Research and development[1]	13,112	8,977
General and administration	15,141	12,806
	82,083	71,086
Share-based payment expenses		
Sales and distribution	1,396	1,139
Research and development	838	977
General and administration	763	2,511
	2,997	4,627

1. 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.

   Wages and salaries capitalised as development costs to intangible assets totalled $33,094,000 during the year ended 30 June 2022 (2021: $29,245,000), with the remaining amounts capitalised being directly attributable costs and incremental overheads of development activities.

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.

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 market 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 2022	30 Jun 2021
Options	4,527,969	4,827,141
Performance Rights	1,024,634[1]	643,273

1. Includes performance rights related to FY24 minimum revenue and EBTIDA targets for CEO and COO/CFO, sign-on performance rights for COO/CFO and performance rights for non-KMP executives granted upon sign-on in FY2022. Excludes performance rights which may be granted to CEO as part of their sign-on incentives which remain subject to shareholder approval. Excludes contingently issuable shares for Topos Retention Recipients, as the number of shares is determined with reference in part to the 5-Day VWAP prior to the date before an Earnout Payment is made, should an earnout payment indeed be achieved, and hence remaining number of shares to be granted is undetermined at this point in time.

	Options		Performance Rights	
Reconciliation	1 Jul 2021 to 30 Jun 2022	1 Jul 2020 to 30 Jun 2021	1 Jul 2021 to30 Jun 2022	1 Jul 2020 to 30 Jun 2021
Opening balance (1 July)	4,827,141	39,654,623	643,273	–
Grant under ESOP	322,740	3,315,627	1,024,634	–
Cancellation	–	(38,961,508)	–	–
Forfeitures	(621,912)	(343,186)	(643,273)	–
Grant to NEDs	–	500,000	–	–
Grant under LTIP	–	671,585	–	–
Exercised options	–	(10,000)	–	–
Closing balance (30 June)	4,527,969	4,827,141	1,024,634	643,273

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 vesting conditions have 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. Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2022 ranged between $0.25 and $1.35. 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 2022 included:

	ESOP grants made in FY2022
Exercise price	Between $2.72 and $5.79
Grant date	Between 4 November 2021 and 24 January 2022
Expiry date	7 years after grant date
Share price fair value	Between $2.26 and $3.03
Expected price volatility of the Company's shares	46.00% for each grant date
Expected dividend yield	0.00%
Risk-free interest rate	Between 1.31% and 1.61%

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.

C. 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.

D. Reconciliation of outstanding share options

	1 Jul 2021 to 30 Jun 2022		1 Jul 2020 to 30 Jun 2021	
Reconciliation	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price
Opening balance (1 July)	4,827,141	$5.03	39,654,623	$0.84
Cancellation	–	–	(38,961,508)	$0.84
Granted during the year	322,740	$4.34	4,487,212	$5.47
Forfeitures during the year	(621,912)	$5.58	(343,186)	$4.50
Exercised options	–	–	(10,000)	$5.01
Outstanding at 30 June	4,527,969	$4.72[1]	4,827,141	$5.03
Exercisable at 30 June	128,778	$2.48	Nil	n/a

The options outstanding at 30 June 2022 had an exercise price in the range of $2.00 to $5.79 (2021: $2.00 to $5.79) and a weighted-average contractual life of 4.8 years[1] (2021: 5.7 years).

1. Exercise price for the 453,273 options held by Mr Sheehy in the above disclosure is $2.00. Impact of options held by Mr Sheehy excluded from assessment of weighted-average contractual life remaining. See Note 9.6.

Significant judgements and assumptions – share-based payment expense

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with market vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Nuix uses the Black-Scholes option pricing model to determine the grant-date fair value of share options. The determination of the grant-date fair value of stock option awards using the Black-Scholes model is affected by assumptions regarding a number of complex and subjective variables. These variables include the estimated number of years that management expect employees to hold their options, risk-free interest rates and dividends to be paid on Nuix's stock over that term.

If Nuix changes the terms of its employee share-based compensation programs, refines future assumptions or changes valuation models, the stock-based compensation expense recorded in future periods for future grants may differ significantly from historical trends and could materially affect the results of operations.

Management judgment is applied in determining the fair value of options issued under the employee option plan. For the options that were granted pre-IPO, their grant-date fair values were determined with reference to the Company's unlisted status at that time. There are inherent difficulties in determining market volatility for an unlisted entity.

The expected price volatility used in pricing options is based on the historic volatility over a comparable period consistent with the remaining life of the options, adjusted for any expected changes to future volatility due to publicly available information. For the options that were granted pre-IPO, as the Company was privately held and had constant and consistent growth, finding a comparable cohort of companies to which management could benchmark was difficult.

Nuix has assumed a constant volatility rate for all options granted during the three-year period leading up to the IPO in December 2020, and updated this volatility rate to reflect the nature of the Company upon listing for all grants occurring at the time of the IPO, and continues to update this input for all grants of options made subsequent to the IPO.

6.3 KMP Remuneration

	2022 $000	2021 $000
Short-term employee benefits	3,698,177	2,425,667
Termination benefits	350,000	197,083
Post-employment benefits	–	64,743
Long-term benefits	159,025	39,269
Share-based payment expense	1,186,934	1,927,356
Total	5,394,136	4,457,035[1]

1. Includes remuneration information for individuals who ceased to be Key Management Personnel in the prior year FY2021.

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 Services function under policies approved by the Board of Directors.

The Group 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.

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

			2022			2021
	USD	EUR	GBP	USD	EUR	GBP
Cash and cash equivalents	4,561	11,705	2,770	7,066	14,333	4,212
Trade receivables	3,870	240	2,315	3,848	1,392	612
Trade payables	919	137	–	83	113	26

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

Sensitivity

Although Nuix holds financial assets and financial liabilities denominated in many currencies, as the Group has foreign operations with different functional currencies, the impact of a reasonably possible change in foreign exchange rates (+/- 10%) at the end of the reporting period on the profit and loss of the Group is limited:

		2022		2021
AUD $000s	Effect on equity	Effect on PBT	Effect on equity	Effect on PBT
USD	+/- 2,942	+/- 751	+/- 2,747	+/- 1,083
GBP	+/- 887	+/- 508	+/- 1,441	+/- 480
EUR	+/- 1,071	+/- 1,181	+/- 893	+/- 1,561

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. 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 45 months before 31 March 2022 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 2022 and 30 June 2021, expressed in thousands of Australian dollars was determined as follows for both trade receivables and contract assets:

	2022			2021		
	Balance '000	Expected Loss Rate	Loss Allowance '000	Balance '000	Expected Loss Rate	Loss Allowance '000
Current	24,487	0.8%	208	25,017	0.9%	218
30 days	1,322	0.9%	12	2,639	1.4%	38
60 days	820	3.0%	25	524	5.4%	28
90 days	1,069	6.5%	70	435	11.2%	49
Over 90 days	1,490	25.8%	384	1,045	17.3%	181
Specific provision[1]	121	100.0%	121	694	100.0%	694
Total	29,309		820	30,354		1,208
Unbilled receivables	34,273	0.5%	187	44,452	0.8%	357
Total	63,582		1,007	74,806		1,565

1. As at 30 June 2022 there were $121,000 of specifically identified impaired debtors, that have been provided for but not written off (30 June 2021: $694,000).

The loss allowances for trade receivables and contract assets as at 30 June reconcile to the opening loss allowances as follows:

	2022 $000	2021 $000
As at 1 July	1,565	470
Increase in loss allowance recognised in profit or loss during the year	1,369	2,225
Receivables written off during the year as uncollectible	(1,843)	(1,058)
Unused amount reversed	(120)	–
Foreign exchange difference	36	(72)
As at 30 June	1,007	1,565

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 in conjunction with 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 $46,846,000 (2021: $70,865,000) and has not drawn on the facility (2021: Nil).

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 Services. In addition, the Group's liquidity management approach involves projecting cash flows and considering the level of liquid assets necessary to meet obligations and ongoing monitoring of balance sheet liquidity against internal requirements.

The cash flows disclosed in the table below are the contractual undiscounted cash flows.

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 2021						
Trade and other payables	19,754	–	–	–	19,754	19,754
Lease liabilities	1,630	1,343	6,765	2,567	12,345	11,362
	21,384	1,383	6,765	2,567	32,099	31,116
At 30 June 2022						
Trade and other payables	23,742	–	–	–	23,742	23,742
Lease liabilities	1,690	1,705	5,894	5,722	15,011	13,650
Other liabilities	7,536	600	6,419	–	14,555	14,458
	32,968	2,305	12,313	5,722	53,308	51,850

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	2022 Shares	2021 Shares	2022 $000	2021 $000
Opening balance	317,314,794	265,400,633	370,696	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	317,314,794	370,696	370,696

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 option reserve

The share option reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

Movements in reserves	2022 $000	2021 $000
Share option reserve		
As at 1 July	(171,641)	(654)
Share-based payment arrangements	2,910	4,053
Cancellation of options	–	(175,040)[1]
As at 30 June	(168,731)	(171,641)
Foreign currency translation reserve		
As at 1 July	(2,681)	5,797
Foreign currency translation reserve	7,873	(8,478)
As at 30 June	5,192	(2,681)
Total Reserves	(163,539)	(174,322)

1. In the prior year ended 30 June 2021, 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 concluded that on 18 November 2020 when the Prospectus was published, optionholders 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) was recognised in profit and loss as a cash settled share-based payment.

8.3 Acquisition of Topos Labs, LLC

The Group acquired Topos Labs, LLC ('Topos') on 20 September 2021, a developer of Natural Language Processing ('NLP') software that helps computer systems better understand text and spoken words at speed and scale. The Group has commenced activities to integrate the acquired intellectual property with the powerful Nuix Engine and anticipates that it will be a valuable add-on for users of our Nuix Workstation software.

Topos' Artificial Intelligence-driven NLP platform is designed to reduce the workload on data reviewers and analysts by surfacing relevant or risky content faster. NLP models can be defined directly through the no-code user interface, reducing the time that non-technical business users need to identify risks in an organisation's data. Topos is then also able to present the risk assessment of confidential, sensitive, and regulated content in user-friendly dashboards.

In the period since acquisition to 30 June 2022, Topos incurred a loss of $3,345,000, inclusive of $2,385,000 for employee benefit expenses related to payments for expected milestone achievement that are treated as being separate arrangements to the acquisition (see below), and amortisation of acquired intangibles of $917,000. Included in this loss since acquisition, are post acquisition revenues of $105,000.

If the acquisition had occurred on 1 July 2021, management estimates that consolidated revenue would have been $37,000 higher, and consolidated loss for the year would have been $667,000 higher. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2021; and that the employee benefit expenses related to expected milestone achievement are incurred from acquisition date only.

The Group incurred acquisition-related costs of AUD $775,000 relating to external legal fees and legal due diligence costs. These costs have been included in 'general and administrative expenses'.

A. Consideration

The following table summarises the acquisition-date fair value of each major class of consideration transferred.

	Notes	$000
Cash		6,868
Contingent consideration	9.1	12,999
Total consideration		19,867

The agreement provides for three mechanisms where payments can be made:

- USD $5,000,000 upfront cash payment;
- Up to USD $18,500,000 in cash payments for achievement of milestones paid to selling shareholders;
- Up to USD $1,500,000 in shares of Nuix Limited to employees (who may or may not have been selling shareholders) for the achievement of milestones.

Cash payments for achieving milestones for specific shareholders who previously held a total of 23.25% of the share capital of Topos, are contingent on their continued provision of employment or services as a contractor post acquisition. Issuance of shares to employees upon the achievement of milestones is contingent on their continued employment post acquisition. As a result, 23.25% of the contingent cash payments and all of the share-based payments are separate arrangements and do not form part of the consideration for acquiring Topos.

The impact of treating these arrangements as separate to the acquisition and as employee benefit arrangements in the year ended 30 June 2022 has been that an employee benefit expense of AUD $2,385,000 has been recorded in relation to partial satisfaction of the relevant service periods towards points in time that milestones are anticipated to be achieved. To the extent that a milestone is not anticipated to be achieved, no recognition of employee benefit expenses is required, and should there be a change in expectations on achievability of milestones, this is to be adjusted in profit and loss on a cumulative catch-up basis.

Contingent consideration that is part of the arrangement to acquire Topos, as its purpose is to verify or establish the fair value of the acquired business and its payment is not contingent on continued employment or service provision is measured at fair value as described in Note 9.1. The acquisition date fair value of the consideration assessed to be part of the arrangement to acquire Topos, was determined to be AUD $12,999,000.

B. Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	$000
Cash and cash equivalents	7
Unbilled receivables	24
Brand	89
Intellectual property	6,693
Assumed obligations relating to existing customers	(45)
Total identifiable net assets acquired	6,768

Fair values measured on a provisional basis

The fair value of the assets acquired and liabilities assumed had been initially measured provisionally, as the Group was pending information related to the determination of tax bases of acquired assets, and could have received further information about contingent liabilities that exist as of acquisition date.

These measurements are now final, and there have been no changes to the provisional accounting for these acquired assets and assumed liabilities.

C. Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	Notes	$000
Fair value of consideration	A	19,867
Fair value of net identifiable net assets	B	(6,768)
Goodwill		13,099

The goodwill is primarily related to growth expectations, expected future profitability, the skills and technical talent of Topos' workforce, and expected synergies to be achieved from integrating the NLP software into the Group's existing products. Goodwill has primarily been allocated to the Nuix Group CGU and is deductible for tax purposes in the United States.

Significant judgments and assumptions

When accounting for business combinations using the acquisition method, significant judgements are used when determining whether arrangements are a part of, or separate to the business combination, and in determining the fair value measurement of consideration paid, and of the acquired assets and assumed liabilities. Where such acquisitions include earnout arrangements forming a view on whether they are expected to be achieved can require significant judgement.

Determining whether arrangements are part of the business combination

An acquirer is required to identify amounts that are not part of the exchange for the acquiree. Such amounts are not included in the accounting for the business combination, but rather are accounted for as separate transactions in accordance with other relevant accounting policies.

Determining what is part of the business combination involves an analysis of the relevant factors of the arrangement. The following factors are considered in assessing whether a transaction is part of a business combination or is separate:

- The reasons for the transaction: whether it is primarily for the benefit of the acquirer or combined entity, rather than primarily for the benefit of the acquiree or its former owners before the acquisition;
- Who initiated the transaction: understanding who initiated a transaction may provide insight into whether it is part of the exchange for the acquiree;
- The timing of the transaction: may also provide insight into whether it is part of the consideration.

When it can be demonstrated that an arrangement, such as an earnout milestone, is designed to prove the value of the acquiree and there is no related post-combination service requirement (whether contractual or implied), management have concluded that such an arrangement is part of the consideration for a business combination. This assessment is made on a milestone by milestone basis.

Measurement of fair values at acquisition date

Accounting for business combinations using the acquisition method requires the measurement of consideration, and the acquired assets and assumed liabilities at fair value.

Contingent consideration:

Contingent consideration includes but is not limited to obligations to transfer additional consideration to the former owners of the acquiree if specified future events occur or conditions are met. Contingent consideration may include the issuance of shares in the acquirer or distribution of other consideration (e.g. cash) on resolution of contingencies based on, for example, post-combination revenues, or other factors. All contingent consideration is measured at fair value on the acquisition date and included in the consideration transferred to the extent it is an arrangement that is determined to be part of the business combination.

Estimating the fair value of contingent consideration can be challenging as the arrangements are often complex. Judgement is required to determine whether a set of earnout arrangements should be treated as a single or multiple unit of account. Where earnout arrangements have discrete risk exposures they are treated as having multiple separate units of account, otherwise such arrangements are considered to have a single unit of account.

As observable prices for such transactions are generally not available, management has applied a scenario based method to determine the most likely payout for each unit of account, based on the information available at the date control was obtained. This method assessed each of the earnout opportunities and considered the goal of the incentive payments and the payoff structures. These estimated future cash flows were then discounted back to present value taking account of the time value of money.

Acquired intangible assets:

The accounting for intangible assets acquired in a business combination is particularly challenging, as many are not recognised in the acquiree's pre-combination financial statements and determining their fair values usually involves estimation techniques as quoted prices are rarely available.

Management have used an income approach to determining the fair value of the Intellectual Property asset acquired as part of the Topos acquisition, which requires assumptions to be made about prospective financial information from its operations and an assessment of contributory asset charges to determine its fair value, from the perspective of a market participant. These cash flows are then discounted using a market participants view of the appropriate rate for the business to derive the fair value of the asset.

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 Other liabilities

	2022 $000	2021 $000
Contingent consideration	7,528	–
Other current liabilities	7,528	–
Contingent consideration	6,330	–
Other non-current liability	600	–
Other non-current liabilities	6,930	–

Information about the Group's exposure to currency and liquidity risks is included in Note 7.

Contingent consideration payable

The Group has recognised a liability measured at fair value as of 30 June 2022 in relation to contingent consideration arising out of the acquisition of Topos Labs, LLC. The contingent consideration arising is deemed to be a Level 3 measurement of fair value, which will be paid over various periods from the acquisition date. It has been discounted accordingly based on estimated time to complete a number of milestones including the successful achievement of revenue, staff retention and product development milestones which include the integration of the acquired Intellectual Property with the Nuix platform.

As part of the assessment at the reporting date, the Group has determined the fair value of contingent consideration considering a range of reasonably possible changes regarding expected future performance and outcomes from activities being undertaken to progress the objectives of the milestones. Changes in the fair value of contingent consideration after acquisition date are recognised in profit or loss.

A reconciliation of the movements in fair value measurements of contingent consideration is provided below.

Contingent consideration	2022 $000	2021 $000
Opening balance	–	–
Additions	12,999	–
Foreign exchange difference	767	–
Change in fair value estimate	–	–
Unwinding of interest	90	–
Cash payments	–	–
Closing balance	13,856	–

The effect on profit and loss for the year is limited to the unwinding of interest on the contingent consideration for acquisitions, which is recognised in finance costs. There has been no impact on profit and loss resulting from reassessments of achievability of earnout milestones post acquisition during the year.

Sensitivity

The fair value measurements are sensitive to reasonably possible changes in unobservable inputs to their measurement, including the time frame over which milestones may (or may not) be achieved; the successfulness of integration of the acquired Intellectual Property with the Nuix platform; and the pace at which commercial activities in relation to the Nuix NLP product proceed. The contingent consideration for the Topos acquisition of USD $18,500,000 comprises of 14 milestones with amounts between USD $250,000 and USD $6,000,000.

Delays in or non-achievement of these milestones may result in a decrease in the measurement of the contingent consideration, and conversely early achievement of certain milestones may bear on future reassessments of the achievability of other milestones which could increase the measurement of the contingent consideration.

9.2 Dividends

During the year the Directors did not declare an interim dividend (2021: Nil) and have not recommended a final dividend be paid after 30 June 2022 (2021: Nil).

9.3 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
		2022	2021	2022	2021	
Nuix North America, Inc	USA	100%	100%	–	–	Sale of Licences
Nuix Ireland Ltd	Ireland	100%	100%	–	–	Sale of Licences
Nuix Pte Ltd	Singapore	100%	100%	–	–	Sale of Licences
Nuix Holding Pty Ltd	Australia	100%	100%	–	–	Holding Company
Nuix SaleCo Limited	Australia	100%	100%	–	–	Holding Company
Nuix USG Inc.	USA	100%	100%	–	–	Sale of Licences
Nuix Technology UK Ltd	UK	100%	100%	–	–	Sale of Licences
Nuix Philippines ROHQ	Philippines	100%	100%	–	–	Business Support
Topos Labs, LLC	USA	100%	–	–	–	Sale of Licences

C. Transactions with other related parties

Macquarie Corporate Holdings Pty Ltd

Macquarie Corporate Holdings has an interest of 30% in Nuix (2021: 30%), 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.

In December 2018, Nuix entered into an alliance agreement and software licence agreement (in support of the alliance agreement) with Macquarie Group Services Pty Ltd ('MGS') relating to the unlimited use of certain Nuix software and related support and maintenance for a term of ten (10) years, unless terminated prior by MGS. Both these agreements were entered into with the unanimous approval of non-Macquarie Group nominee Board members and without shareholder approval prior to Nuix becoming a public company.

Under the agreements MGS pays Nuix an annual licence fee for a licence to use Nuix software, and the related support and maintenance services for the licence.

In the year ended 30 June 2022, in accordance with the alliance agreement, the pricing for the arrangement for years four, five and six was agreed at a total amount of $2,681,217.

Amounts recognised in revenue during the year under the agreements were as follows:

- $1,961,861 was recognised as revenue from the licence renewal in June 2022; and
- $186,579 was recognised as revenue from the provision of support and maintenance covering the last five months of the initial three-year period, and the first seven months of the renewal period.

As of 30 June 2022, $579,497 remains as deferred revenue in relation to the ongoing support and maintenance which will be recognised on a rateable basis until 5 December 2024.

	2022 $		2021 $	
	Transaction	Outstanding balance	Transaction	Outstanding balance
Sale and purchases of goods and services				
Sale of license to related parties	1,961,861	1,802,201	–	–
Support and maintenance	186,579	–	112,083	–
Rendering of professional service	4,703	–	–	–
Underwriting fees	–	–	14,462,295	–
Purchase of service from other related party	–	–	36,215	–
Sale of goods to other related parties	–	–	–	8

9.4 Auditor's remuneration

	2022	2021
Audit and review services		
Auditors of the Group – KPMG Australia (2021: PricewaterhouseCoopers)		
Audit and review of financial statements – Group	495,000	1,468,586
Audit and review of financial statements – controlled entities	78,000	–
	573,000	1,468,586
Other auditors		
Audit and review of financial statements	25,244	68,623
Assurance services		
Auditors of the Group – KPMG Australia (2021: PricewaterhouseCoopers)		
Other assurance services	–	3,403,507
Other services		
Auditors of the Group – KPMG Australia (2021: PricewaterhouseCoopers)		
Advisory services	188,616	–
Taxation advice and tax compliance services	8,000	660,503
Other auditors		
Taxation advice and tax compliance services	32,654	6,136

Following a competitive tender process, PwC resigned as auditor and KPMG have been appointed as auditor.

It is the Group's policy to engage KPMG on assignments in addition to their statutory audit duties where their expertise and experience with the Group are relevant. Nuix engaged KPMG to perform advisory services prior to statutory audit engagement.

9.5 Parent or the Company financial information

	2022 $000	2021 $000
Current assets	35,343	89,397
Non-current assets	219,617	205,763
Total assets	254,960	295,160
Current liabilities	990	24,669
Non-current liabilities	3,850	2,645
Total liabilities	4,840	27,314
Net assets	**250,120**	**267,846**
Equity		
Issued capital	370,696	370,696
Share option reserve	(168,722)	(171,632)
Retained earnings	48,146	68,782
Total equity	**250,120**	**267,846**
Loss for the year	**(20,609)**	**(13,546)**

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.

9.6 Contingent Liabilities

The 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 (Mr 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.

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 has defended 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 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 was heard over a four-day hearing from 27 June to 30 June 2022 and included the presentation of opening submissions, lay evidence and expert evidence from both parties. A further one-day hearing was held in August 2022, in which counsel for Nuix and Mr Sheehy provided closing submissions.

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. Mr Sheehy alleges that he has suffered damages in the range of $96.9 million to $182.4 million depending on the date at which the shares should have been issued and the manner in which he alleges they should have been disposed of. Nuix filed evidence in response to the quantum of damages sought by Mr Sheehy on 14 April 2022. If Mr Sheehy is unsuccessful in relation to his claims, he will not be entitled to any payment from Nuix.

ASIC Investigation

As previously disclosed to the market, ASIC has been 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, 2019 and 2020; 2) Nuix's prospectus dated 18 November 2020; and 3) Nuix's market disclosures in the period between 4 December 2020 to 31 May 2021.

As advised to the market on 10 February 2022, Nuix has been notified by ASIC that it has completed the aspects of its investigation relating to points 1) and 2) above and has determined that it will not take any further action in relation to those matters. The aspects of ASIC's investigation relating to Nuix's market disclosures in the period between 4 December 2020 to 31 May 2021 is not yet complete.

Nuix believes that it has complied with its accounting and disclosure obligations and continues to cooperate fully with ASIC's investigation.

Class Action Risk

On 22 November 2021, Nuix received a class action claim filed in the Supreme Court of Victoria by Shine Lawyers on behalf of Mr William Lay and persons who acquired interests in Nuix shares in the period between 18 November 2020 and 30 May 2021. In essence, the claim alleges that Nuix contravened provisions of the Corporations Act 2001 (Cth), the Australian Securities and Investments Commission Act 2001 (Cth) and the Australian Consumer Law in connection with its disclosures concerning its forecast FY21 revenue. The claim does not identify the amount of any damages sought.

On 23 November 2021, a second class action claim filed in the Supreme Court of Victoria by Phi Finney McDonald on behalf of Mr Daniel Joseph Batchelor and persons who acquired interests in Nuix shares by subscription in its IPO or in the period between 4 December 2020 and 29 June 2021. The claim relates to information contained in Nuix's Prospectus and Nuix's disclosure concerning forecast FY21 revenue and alleges that Nuix contravened provisions of the Corporations Act 2001 (Cth) and the Australian Securities and Investments Commission Act 2001 (Cth). The claim covers similar subject matter to the claim filed by Shine Lawyers which was announced on 22 November 2021 and does not identify the amount of any damages sought. Mr Batchelor's claim has also been commenced against Macquarie Capital (Australia) Limited and Macquarie Group Limited as co-defendants.

On 10 March 2022, Nuix became aware of a further overlapping class action claim filed against it in the Supreme Court of Victoria. This class action claim was commenced by the Banton Group on behalf of Stella Stefana Bahtiyar on behalf of persons who acquired shares in Nuix in the period between 18 November 2020 and 31 May 2021. As with the other two class action claims which have been filed, the Banton Group claim related to information contained in Nuix's Prospectus and Nuix's disclosures concerning its forecast FY21 revenue and alleged that Nuix contravened provisions of the *Corporations Act 2001* (Cth), the *Australian Securities and Investments Commission Act 2001* (Cth) and the Australian Consumer Law. The claim did not identify the amount of any damages sought. The claim also named some other parties associated with the initial public offering, including Directors during the relevant period as co-defendants.

On 16 June 2022, a hearing was held in the Supreme Court of Victoria to seek to deal with the competing and overlapping claims made in the three class actions so that Nuix will face, in effect, only one class action in relation to the relevant allegations.

On 23 August 2022, the Supreme Court of Victoria handed down a decision in relation to the three competing and overlapping claims filed against Nuix. The Supreme Court of Victoria ordered that:

- the proceeding commenced by Banton Group (which had sought to join a number of Directors as co-defendants) be permanently stayed; and
- the proceeding commenced by Shine Lawyers and Phi Finney McDonald be consolidated.

Nuix disputes the allegations contained in the consolidated claim and will be defending it.

Bank guarantee

The Company had obtained a bank guarantee in the amount of $746,460 to secure certain obligations of the Company that arise under a commercial property lease. Subsequent to the termination of the Facility Agreement with the Commonwealth Bank of Australia post balance date, this obligation is now cash backed by the Group.

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.

9.7 Events after the reporting date

As noted in Note 4.7 of this report, Nuix had a Facility Agreement with the Commonwealth Bank of Australia ('CBA') which was set to expire on 11 September 2022. Given that the Company has not utilised the Cash Advance Facility over the preceding 12 months and has $46,846,000 cash available at 30 June 2022, the Group has, post year-end, terminated the facility with CBA.

In relation to the Class Actions referred in Note 9.6 of this report, on 23 August 2022 the Supreme Court of Victoria handed down a decision to the three competing and overlapping claims filed against Nuix. The Supreme Court of Victoria ordered that:

- the proceeding commenced by Banton Group (which had sought to join a number of Directors as co-defendants) be permanently stayed; and
- the proceeding commenced by Shine Lawyers and Phi Finney McDonald be consolidated.

Nuix disputes the allegations contained in the claim and will be defending it.

Except as disclosed above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

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 66 to 125 and the Remuneration Report on pages 46 to 64, 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 2022 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

   b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.[1]

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 2022.

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
Chair

Sydney, Australia
2 September 2022

Jonathan Rubinsztein
Director

Sydney, Australia
2 September 2022

1. The Director's Declaration has been reissued on 2 September 2022 as there was an inadvertent omission of paragraph 1 b).

This is the Director's Declaration, signed by Jeffrey Bleich, Chair and Jonathan Rubinsztein, Director on 2 September 2022. Page references in relation to the consolidated financial statements and notes should be read as referring to pages 66 to 125, as opposed to pages 42 to 103, and page references in relation to the Remuneration Report should be read as referring to pages 46 to 64, as opposed to 22 to 41, to reflect the correct references now that the financial statements have been presented in the context of the annual report in its entirety.

Independent Auditor's Report to the Shareholders

This is a reproduction of the authoritative version of KPMG's audit report regarding the financial report. Page references quoted in their Report on the Remuneration Report can now be read as referring to pages 46 to 64, as opposed to 22 to 41. This reflects the adjusted page numbers from the now completed content of the Annual Report.

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Independent Auditor's Report

To the shareholders of Nuix Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Nuix Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2022
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration - reissued.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of Nuix Limited, would be in the same terms if given to the Directors as at the time of this Auditor's Report.

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Contingent liabilities – Sheehy litigation
- Going concern basis of accounting
- Valuation of intangible assets
- Revenue recognition
- Capitalisation of development costs as Intellectual Property

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These 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.

Contingent liabilities – Sheehy litigation

Refer to Note 9.6 to the financial report

The key audit matter	How the matter was addressed in our audit
Contingent liability relating to the Sheehy Litigation is a key audit matter as applying AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* (AASB 137) requires significant judgement for each of the fundamental principles. The principles we considered were: 1. Does a *present obligation* exist; 2. If so, can it be *reliably measured*, leading to recording a provision; and 3. If not, a contingent liability is reported with sufficient information disclosed to provide the users of the financial statements with an understanding of the matter and where practical the uncertainties and potential timing. Given the uncertainty and potential significance of an outcome related to the contingent liability we focused our effort on the Group's analysis for complying with the requirements of the accounting standard and the information used to form its judgements. Due to the subjective nature of interpreting the accounting standard and any resultant measurement of these types of provisions,	Working with our legal specialist our procedures included: • We obtained an understanding of the underlying Sheehy claim by reading the claim, the Group's internal documentation, and evaluation of its position; • We evaluated the Group's assessment of whether a present obligation exists arising from past events, against the criteria in AASB 137 based on the facts and circumstances available; • We enquired of senior management of the Group, their inhouse legal counsel, their external lawyer and the Directors, evaluating for consistency and feasibility regarding the current status of the matter, the Group's intended plan to continue defending the claim, the risks and uncertainties associated, and the range of possible outcomes, associated estimation and timing of financial outflows; • We assessed the competence, capabilities and objectivity of the external lawyer and the external legal counsel; • We read the external legal counsel advice obtained by the Board of Directors on the Group's prospects, analysing for robustness and consistency to other sources of information;

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assumptions tend to be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us. We involved specialists to supplement our senior audit team members in assessing this key audit matter.	• We read minutes from relevant committees, attending audit and risk committee meetings where this topic was tabled, analysing consistency of sources; • We obtained and inspected external lawyers' letters and legal opinions against knowledge obtained from our other procedures; • We assessed the consistency to facts and conditions gathered across our audit work; • We assessed the appropriateness of disclosures against the requirements of the accounting standards, with a particular focus on the qualitative information included in Note 9.6 to the Consolidated Financial Statements.

Going concern basis of accounting

Refer to Note 1.3 to the financial report

The key audit matter	How the matter was addressed in our audit

The Group's use of the going concern basis of accounting and the associated extent of uncertainty is a key audit matter due to the high level of judgement required by us in evaluating the Group's assessment of going concern and the events or conditions that may cast significant doubt on their ability to continue as a going concern. These are outlined in Note 1.3.
 	
The Directors have determined that the use of the going concern basis of accounting is appropriate in preparing the financial report. Their assessment of going concern was based on cash flow projections. The preparation of these projections incorporated a number of assumptions and significant judgements, and the Directors have concluded that the range of possible outcomes considered in arriving at this determination does not give rise to a material uncertainty casting significant doubt on the Group's ability to continue as a going concern.
 	
We critically assessed the levels of uncertainty, as it related to the Group's ability to continue as a going concern, within these assumptions and judgements, focusing on the following:
 	
• the Group's key cash inflow assumptions
	Our procedures included:
	
	• We analysed the cash flow projections by:
	
	  • Evaluating the underlying data used to generate the forecasts for consistency with those tested by us as set out in the Valuation of Intangible Assets key audit matter, our understanding of the Group's strategy as outlined in Board minutes and during Board and Audit & Risk Committee meetings we attended, and past results and practices;
	
	  • Analysing the impact of reasonably possible changes in projected cash flows and their timing to the projected periodic cash positions. Assessing the resultant impact to the ability of the Group to pay debts as and when they fall due and continue as a going concern. The specific areas we focused on were informed from our test results of the accuracy of previous Group cash flow projections and sensitivity analysis on key cash flow assumptions.
	
	  • Assessing the significant assumptions and

particularly, the forecast growth rate in light of the Group's historical results, customer retention rates, and pricing expectations; • the Group's planned levels of operational expenditures, in particular those relating to investment in sales capability and product development, and the contingent consideration of recent acquisition and legal costs relating to the on going legal and regulatory matters. We focused on the ability of the Group to manage cash outflows within available resources, particularly in light of recent loss making operations; • the analysis and advice relating to the timing and range of outcomes of the legal and regulatory matters against the Group such as the Sheehy litigation, ASIC investigation and Class Actions; • the Group's ability to raise additional funds, if needed, from shareholders or other parties and the projected timing thereof. This included source of funds, availability of fund type, feasibility and status/progress of securing those funds; In assessing this key audit matter, we involved senior audit team members who understand the Group's business, industry and the economic environment it operates in and legal specialists.	judgements in the operating cash inflows, in particular those related to growth in revenue, impacts of price rises and forecast improvement in Net Dollar Retention ("NDR") percentage, for feasibility, timing, consistency of relationships and trends to the Group's recent and historical results, growth rates in the industry, and our understanding of the business, industry and economic conditions impacting the Group; • Assessing the planned levels of operating and capital cash outflows and significant unusual items, in particular those related to investment in sales capability and product development, remaining contingent consideration in relation to the Topos Labs acquisition, and ongoing legal fees relating to the matters discussed in note 9.6 for feasibility, timing, consistency of relationships and trends to the Group's historical results, particularly in light of recent loss making operations, results since year end, and our understanding of the business, industry and economic conditions impacting the Group. • We assessed significant forecast cash inflows and outflows identified in scenario analysis prepared by the Group, modelling alternates of growth shortfalls and/or potential timing of and quantum of cash outcomes of the legal and regulatory matters disclosed in Note 9.6. We assessed the cost reductions and other mitigants in these alternate scenarios including legal options for feasibility, quantum and timing. We used our knowledge obtained from other procedures, past results, inquiries with the Group's internal and external legal counsel, and our understanding of the current status of legal and regulatory matters, to assess the level of associated uncertainty. Details of specific procedures exclusively to assessing the legal and regulatory matters for relevance as contingent liabilities are set out in the contingent liabilities key audit matter below; • We obtained the Group's internal and external

	counsel opinions on the likely timing and probability of any cash outflows as result of the legal and regulatory matters discussed in Note 9.6 and together with our specialists assessed the probability and timing of any cash outflows as result of adverse outcomes of contingent liabilities as set out in the contingent liability key audit matter. • We read correspondence received by the Group relating to potential debt and other sources of finance to understand and assess the accessibility to the Group and the associated level of uncertainty to the basis of preparation; • We inquired with the Group regarding discussions and correspondence with existing or new shareholders and read relevant information and papers to understand their position on equity funding options available to the Group, and assessed the level of associated uncertainty to the basis of preparation; • We evaluated the Group's going concern disclosures in the financial report by comparing them to our understanding of the matter, the events or conditions incorporated into the cash flow projection assessment, the Group's plans to address those events or conditions, and accounting standard requirements.

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Valuation of intangible assets ($237.1m)	
Refer to Note 5.4 to the financial report	
The key audit matter	**How the matter was addressed in our audit**
A key audit matter for us was the Group's testing of intangible assets (including goodwill) for impairment, given the size of the balance (being 63% of total assets) and existence of impairment indicators. Certain conditions impacting the Group increased the judgement applied by us when evaluating the evidence available. We focused on the key forward-looking assumptions the Group applied in their value in use model, including: • forecast operating cash flows – the Group's revenue has declined as compared to prior year and the Group has incurred a loss during the year. These along with the impact of potential outcomes from ongoing legal and regulatory matters on cash flows increase the possibility of goodwill and intangible assets being impaired; • forecast growth rates – In addition to the uncertainties described above, the Group's models are highly sensitive to small changes in these assumptions, reducing available headroom. This drives additional audit effort specific to assessing their feasibility; • discount rate - these are complicated in nature and vary according to the conditions and environment the specific Cash Generating Unit (CGU) is subject to from time to time. The Group uses complex models to perform their annual testing of goodwill and intangible assets for impairment. The models are largely manually developed, use adjusted historical performance, and a range of internal and external sources as inputs to the assumptions. Complex modelling, using forward-looking assumptions tend to be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate	Working with our valuation specialists our procedures included: • We assessed the Group's determination of CGU assets for consistency with the assumptions used in the forecast cash flows and the requirements of the accounting standards; • We considered the appropriateness of the value in use method applied by the Group to perform the test of intangible assets for impairment against the requirements of the accounting standards; • We assessed the integrity of the value in use model used, including the accuracy of the underlying calculation formulas; • We compared the forecast cash flows contained in the value in use model to Board approved Budgets; • We assessed the accuracy of previous Group cash and other key metric forecasts to inform our evaluation of forecasts incorporated in the model; • We enquired with senior management of the Group to understand the potential outcomes of legal and regulatory matters to the forecast operating cash flows and the mitigating circumstances in the event of a successful claim against the Group; • We challenged the Group's significant forecast cash flow and growth assumptions. We compared forecast growth rates and terminal growth rates to published studies of industry trends and expectations, and considered differences for the Group's operations. We did this using our knowledge of the Group, their past performance, business and customers,

additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application. In addition to the above, the carrying amount of the net assets of the Group exceeded the Group's market capitalisation at year end, increasing the possibility of goodwill and intangibles being impaired. This further increased our audit effort in this key audit area. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	and our industry experience; • We compared key assumptions included in the Group's forecast to the Board approved plan Budget. We applied increased scepticism to forecasts in the areas where previous forecasts were not achieved; • We checked the consistency of the growth rates to the Group's stated plan and strategy, past performance of the Group, and our experience regarding the feasibility of these in the industry/economic environment in which they operate; • We independently developed a discount rate range considered comparable using publicly available market data for comparable entities adjusted by risk factors specific to the Group; • We considered the sensitivity of the model by varying key assumptions, such as forecast growth rates, terminal growth rates and discount rates, within a reasonably possible range. We did this to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures; • We assessed the Group's reconciliation of differences between the year-end market capitalisation and the carrying amount of the net assets. This included consideration of the market capitalisation range implied by recent share price trading ranges and broker 12 month target valuation ranges and comparable valuation multiples to the Group's latest internal enterprise valuation model; • We assessed the disclosures in the financial report using our understanding of the issue obtained from our testing and against the requirements of the accounting standards.

Revenue recognition ($152.3 million)	
Refer to Note 2.1 to the financial report	
The key audit matter	**How the matter was addressed in our audit**
The Group's revenue is mainly derived from licensing software products and from related support and maintenance and/or professional services contracts. The Group's contracts with customers include commitments to transfer perpetual or term-based software licenses bundled with support and maintenance services. For bundled contracts, the Group determines Software license to be a distinct performance obligation from support and maintenance. It is their policy that the corresponding revenues are recognised as the related performance obligations are satisfied. Revenue recognition was a key audit matter for us due to: • its significance to the financial performance; • the effort required to analyse the Group's revenue recognition policy, using judgemental criteria in AASB 15 *Revenue from Contracts with Customers* for contracts with both software product and related service and maintenance offering contracts, and; • the significance of judgments and assumptions required by the Group in the determination of the relative standalone selling prices for each performance obligation in multiple element contracts.	Our procedures included: • We assessed the appropriateness of the Group's accounting policies related to revenue recognition against the requirements of the accounting standard and our understanding of the business and industry practice, in particular for bundled contracts; • We evaluated the Group's standalone selling price allocation methodology for software license contracts bundled with support and maintenance against the requirements of AASB 15; • We tested the key underlying assumptions and data, in the standalone selling price model using observable inputs, details of licensing arrangements and pricing practice; • We assessed the mathematical accuracy of the underlying calculations in the standalone selling price model used; • We tested a sample of revenue recognised through the year. This included assessing: – Existence of underlying arrangement to sources such as signed contracts with customers and sales orders – The amounts invoiced to customers in accordance with the price and usage detailed in the underlying contract with the customer. – We checked the accuracy of the revenue recognised against the agreed terms and conditions of underlying contracts and the Group's revenue recognition policy. • We evaluated the adequacy of disclosures in the financial report using our understanding obtained from our testing and against the requirements of Australian Accounting Standards.

Capitalisation of development costs as Intellectual Property ($42.4 million)	
Refer to Note 5.1 to the financial report	
The key audit matter	**How the matter was addressed in our audit**
Capitalisation of software development costs is considered to be a key audit matter due to: • The significance of the amount of development costs capitalised; • The judgement required by the Group in determining whether the development activities undertaken by them meets the capitalisation criteria of the accounting standards. We focused our effort on analysing the underlying sources used by the Group in applying these significant judgements, the potential for bias, and their consistency of application.	Our procedures included: • We assessed the Group's accounting policies and methodology used to capitalise development costs against the requirements of the accounting standard and our understanding of the business and industry practice; • We obtained an understanding of the Group's software development processes and how software developers use their project management tool to record activities; • We evaluated the Group's assessment of development activities and development costs capitalised. This included: – Evaluating the Group's assessment using our knowledge of the business and projects, and through enquiries with various stakeholders, including: Project Managers and the Chief Financial Officer; – We inspected a sample of information recorded in the project management tool and assessed the Group's identification of activities they've attributed as constituting development against the requirements of the accounting standards; – We tested a sample of activities recorded and capitalised as development costs, checking the nature of respective activities being performed as one relating to an intangible asset in development or an enhancement to an existing software product as opposed to research or maintenance as defined by the accounting standards. • We assessed the cost eligible for capitalisation by testing a sample of key inputs to underlying records including employees payroll information. We also assessed the Group's allocation of directly attributable overhead costs against the criteria within the accounting standards; • We evaluated the adequacy of the disclosures included in the financial report against the requirements of the accounting standards.

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Re-issuance of the Directors Declaration

We draw attention to the 2 September 2022 Director's Declaration and its footnote regarding the reissuance and reason therefore. As a result of the reissuance this auditor's report supersedes our previous Independent Auditor's Report to the shareholders of Nuix Limited dated 31 August 2022. Our opinion is not modified in respect of this matter.

Other Information

Other Information is financial and non-financial information in Nuix Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report and the Letter from Chair of Board Remuneration and Nomination Committee. The Chairman's Letter, CEO's Letter, Shareholder Information and Corporate Information are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Nuix Limited for the year ended 30 June 2022, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' 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 responsibilities

We have audited the Remuneration Report included in pages 22 to 41 of the Directors' report for the year ended 30 June 2022.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

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Kenneth Reid

Partner

Sydney

02 September 2022

Shareholder Information

Shareholder Information

The shareholder information set out below is applicable at 14 September 2022.

Number of Equity Security Holders

Number of holders of Ordinary equity securities	18,380
Number of holders of unquoted Options	49
Number of holders of unquoted Performance Rights	11

Voting Rights

The voting rights attached 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	249,937,833	78.77	115	0.63
10,001 to 100,000	37,466,866	11.81	1,403	7.63
5,001 to 10,000	10,842,088	3.42	1,416	7.70
1,001 to 5,000	14,989,754	4.72	5,880	31.99
1 to 1,000	4,078,253	1.29	9,566	52.05
Total	317,314,794	100.00	18,380	100.00

Analysis of number of unquoted Options holders by size of holding:

Range	Securities	%	No. of Holders	%
100,001 and over	3,045,084	74.30	12	24.49
10,001 to 100,000	1,046,247	25.53	36	73.47
5,001 to 10,000	6,905	0.17	1	2.04
1,001 to 5,000	0	0.00	0	0.00
1 to 1,000	0	0.00	0	0.00
Total	4,098,236	100.00	49	100.00

Analysis of number of unquoted Performance Rights holders by size of holding:

Range	Securities	%	No. of Holders	%
100,001 and over	100,001 and Over	936,485	79.43	4
10,001 to 100,000	10,001 to 100,000	230,950	19.59	4
5,001 to 10,000	5,001 to 10,000	0	0.00	0
1,001 to 5,000	1,001 to 5,000	11,547	0.98	3
1 to 1,000	1 to 1,000	0	0.00	0
Total	Total	1,178,982	100.00	11

Substantial Holders

Substantial holders as disclosed in substantial holding notices given to the company are:

Holder	Securities	%
Macquarie Group Limited	95,654,262	30.14
Australian Ethical Investment	19,589,260	6.17
UBS Group AG	16,829,346	5.30
ECP Asset Management Pty Ltd	15,934,458	5.02

Marketable Parcels

Number of holders holding less than a marketable parcel of Ordinary Shares	7,120

Shareholder Information continued

Twenty Largest Quoted Equity Security Holders

The twenty largest holders of quoted Ordinary Shares are:

Ordinary Shares

Rank	Name	A/C designation	14 Sep 2022	%IC
1	MACQUARIE CORPORATE HOLDINGS PTY LTD		95,654,262	30.14
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED		28,549,671	9.00
3	NATIONAL NOMINEES LIMITED		23,942,278	7.55
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED		19,495,691	6.14
5	AD & SK CASTAGNA HOLDINGS PTY LIMITED		13,345,750	4.21
6	BNP PARIBAS NOMINEES PTY LTD	<AGENCY LENDING DRP A/C>	10,749,186	3.39
7	CITICORP NOMINEES PTY LIMITED		10,192,145	3.21
8	BNP PARIBAS NOMS PTY LTD	<DRP>	9,772,027	3.08
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2		3,259,541	1.03
10	BNP PARIBAS NOMS PTY LTD	<GLOBAL MARKETS DRP>	2,146,690	0.68
11	CS FOURTH NOMINEES PTY LIMITED	<HSBC CUST NOM AU LTD 11 A/C>	2,145,565	0.68
12	MR DAVID ALEXEI SITSKY		1,750,000	0.55
13	QUALITAS SERVICES PTY LTD	VAWDREY FAMILY	1,580,509	0.50
14	BNP PARIBAS NOMINEES PTY LTD	<IB AU NOMS RETAILCLIENT DRP>	1,314,159	0.41
15	INTECH SOLUTIONS PTY LTD		1,250,000	0.39
16	MS BO XU		1,100,000	0.35
17	MR DANIEL PETER NOLL		1,000,000	0.32
18	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED		980,522	0.31
19	MR STEPHEN RONALD DOYLE		834,370	0.26
20	ONE FUND SERVICES LTD	<SANDON CAPITAL ACTIVIST A/C>	739,150	0.23
		Total	**229,801,516**	**72.42**
		Balance of register	**87,513,278**	**27.58**
		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

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Exchange

Nuix shares are listed on the Australian Securities Exchange (ASX)

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Company Secretary

Ilona Meyer

Auditor

KPMG

nuix

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

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