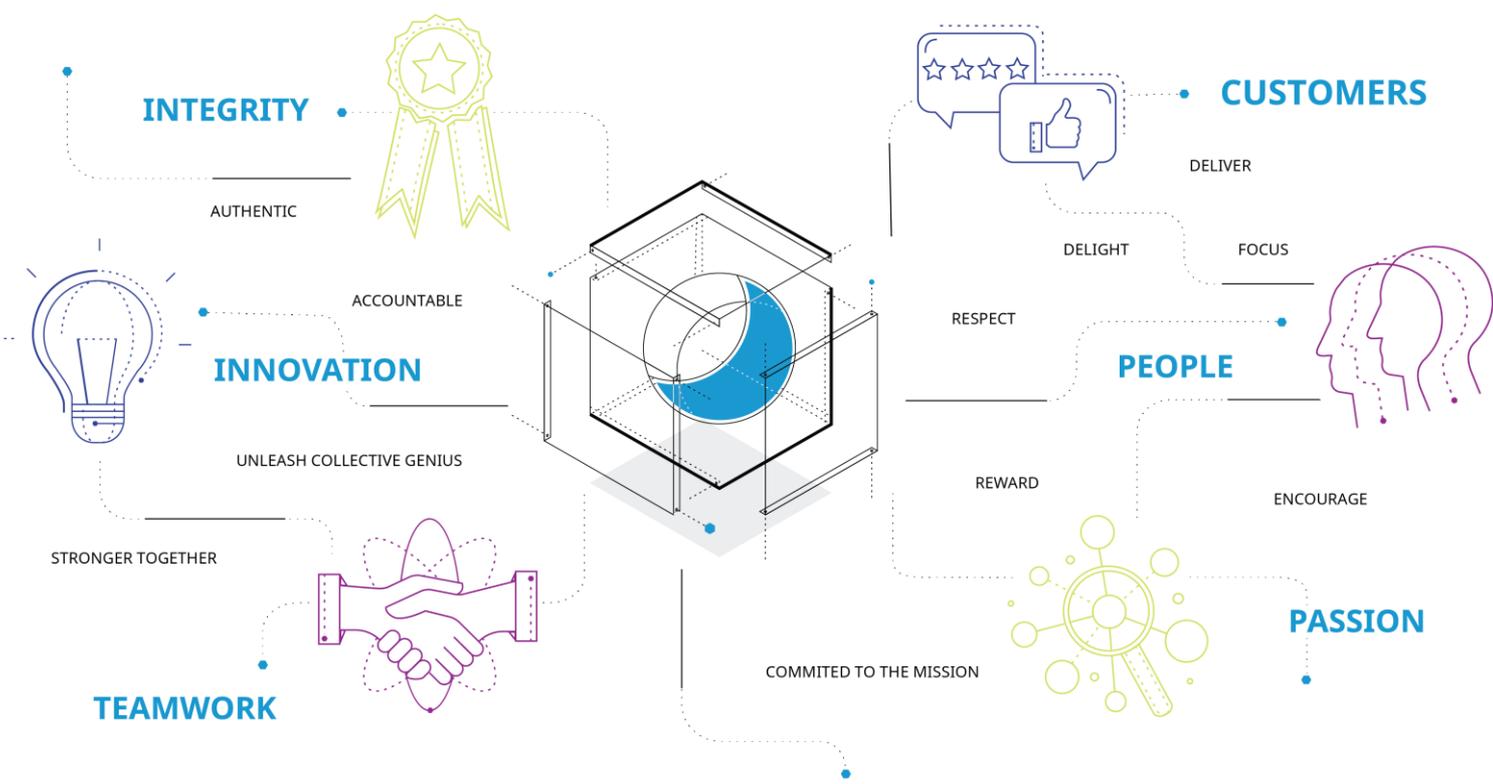


NUIX PTY LTD AND CONTROLLED ENTITIES  
**ANNUAL REPORT**

**30 June 2020**

ABN 80 117 140 235



# FINDING TRUTH IN A DIGITAL WORLD

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## Corporate Directory

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

## Chairman's Report

Dear Shareholder,

The Board of Nuix Pty Ltd (hereafter referred to as the 'Company') is pleased to present the Annual Report of the Company and its subsidiaries (hereafter referred to as 'Nuix' or 'Group') for the financial year ended 30 June 2020. This year, the Group earned total sales of \$175,858,894 (2019 (Restated): \$139,633,198), representing 26% year on year growth. The Group achieved a full-year profit after tax of \$23,587,666 compared with \$7,441,818 (Restated) in the previous year.

### OUR ASSETS AND CAPABILITIES

Nuix's key assets are:

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

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

### BUSINESS AND INDUSTRY OVERVIEW

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

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

### OUR GROWTH STRATEGY

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

#### Extend our technological capabilities

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

#### Drive incremental revenue from existing customers

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

## Chairman's Report (continued)

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

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

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

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

### Acquire and productise knowledge to deliver repeat engagements

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

### Deliver world-class customer service

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

## OUR PLANS

Looking towards 2021 and beyond, we are focused on continuing to deliver strong year-on-year revenue growth.

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

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

Daniel Phillips

Chairman

Sydney, Australia

30 October 2020

## CEO's Message

Nuix was founded two decades ago in response to the increasing digital transformation of the way people live and work. Specifically, how we create, use, and extract meaning from the explosion of unstructured data. Or more simply, how we find truth in a digital world.

Since then, Nuix has evolved as a leader in investigative analytics and intelligence at scale, for businesses, governments, and international agencies. We build forensic software that more than 1,000 customers in 79 countries use to solve many of the world's most complex data challenges, at scale, at speed, and with precision.

### AN INHERENT ABILITY TO ADAPT

Nuix has an instinctive appreciation for uncertainty that is poignantly relevant in 2020. Despite a year of sustained global tumult, Nuix has proven to be resilient, determined, and unwavering in our mission to empower our customers in their pursuit of data intelligence. Nuix's revenue has increased 26% year-on-year and our Q4 results were the strongest in our history. We have continued to grow revenue without substantially increasing our cost base, delivering a 78% increase year-on-year in EBITDA.

Our ethos of focusing on customers' needs has delivered a powerful result. Once customers experience the capabilities of Nuix, they often extend their use of our software or find new ways to use it. This "land and expand" strategy has yielded significant growth in upsell revenue, demonstrating the stickiness of our product.

### CONNECTING WITH OUR CUSTOMERS

In the past year, we held our first global sales conference, launched our go-to-market domain structure, and shifted gear on enterprise selling. With these changes we have enhanced our customer focus, pooled our industry expertise, and aligned more clearly to industry needs. We successfully expanded our customer base, adding 102 new customer logos in FY20 and also increased our renewals year on year. In addition, we began a strategic introduction of consumption-based pricing, converting two major advisory firm deals to consumption-based models, as the basis for shared success as these accounts grow. Our overall revenue position is strengthened by the diversity of our customer base both geographically and across our domains with 20% from government, 19% from corporations, 18% of revenue from advisory firms, 11% from law firms, and 15% from new geographic markets.

By region, the majority of our revenue comes from the United States (55%) and we initiated structural changes and FedRAMP compliance processes to remove barriers to higher value government contracts there. We also nurtured new markets, with our first year of fully-fledged operations in the DACH (Germany, Austria and Switzerland) region and stronger focus on Asia with local teams coordinating new leads. We re-examined our overall commercial approach, strengthening routes to market such as Nuix Partner Connect, a successful revamp of our international partner program; and executed a Salesforce.com improvement project to increase sales productivity and commercial insight.

### PRODUCT AND INNOVATION LED

The Nuix Engine remains the foundation of our platform and revenue, with our vertical solution stacks enabling us to capture further revenue from use cases in both our traditional eDiscovery and forensic investigations markets, together with new strategic markets such as governance, risk and compliance. We have completed the integration of Nuix Discover® (formerly Ringtail) and it is making a tangible impact on the market with 2000 active users across 70 customers and 203 TB of data under management. Nuix Discover software as a service (SaaS) is available in six regions worldwide.

## CEO's Message (continued)

We listened to customer feedback, and our roadmap addresses key demands for features such as mobile data integration through our partnership with mobile forensic tool specialists MSAB; accessing password-protected and encrypted content through integration with Passware; platform integration with the promote-to-Nuix Discover feature; and soft licenses through our Cloud License Server. Under our new Head of Engineering, we fine-tuned our agile software development model and renewed our focus on enterprise grade quality, scalability, availability, and access improvements.

### CURRENT AND FUTURE TRENDS

Nuix prudently monitors market trends that affect our business. We are encouraged by the growing need for our software driven by the proliferation of unstructured data volumes; a significant focus on governance, risk, compliance, and the consequences of data breaches; and increased levels of digitisation and automation throughout enterprises. Organisations face a responsibility to manage their ever-growing data, which can also be a valuable commodity and currency. Nuix provides a sustainable response to the problem and is strongly positioned to assist clients harness the opportunities.

We have passion, commitment, and belief in what we do, whilst being alert to the shifting dynamics of our connected customer ecosystem. We expect further consolidation in the eDiscovery services market, which we intend to balance with new opportunities, such as helping our corporate customers bring more of the discovery process in-house and extending their use of Nuix to solve cross-functional use cases such as compliance, or insider threat detection. In addition, the competitive landscape remains fragmented and Nuix competes both in specific verticals such as eDiscovery and forensic investigations and as an integral part of enterprise data infrastructures to solve multiple use cases. It is this broader relevance of the Nuix platform that continues to help differentiate us.

Despite unforeseen challenges, technology constitutes one of the few sectors that has turned adversity into opportunity. Our FY2020 revenue was not significantly affected by the COVID-19 pandemic. Nuix has deftly navigated the transition to remote working. Our people have demonstrated enormous dedication to our work, even in the face of headcount reductions that managed our risk against the longer-term impact of COVID-19 and its economic fallout. Nuix employees brought ideas and versatility that enabled us to implement new strategies such as the shift to virtual events and a reinvigorated training program that saw over 1,000 users achieve Nuix certification in the 50 days from May 1st to June 19th, 2020.

I am proud of our Team Nuix achievements during this extraordinary period, which showed that our core values prevail even under extraordinary pressure. I am certain that we have shown ourselves and our stakeholders how much we can accomplish when challenged, and this gives me enormous excitement about the future successes that lay ahead.

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



Rodney Graeme Vawdrey

Group CEO

Sydney, Australia

30 October 2020

## Directors' Report

The directors present their report on the consolidated entity (hereafter referred to as 'NuiX' or 'Group') consisting of NuiX Pty Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2020.

### Directors and company secretary

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

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

The company secretaries are Stephen Doyle and Brian Krupczak, who were appointed to the position of company secretary in 2011 and 2015, respectively. Michael Gerard Egan was recently appointed as company secretary last 9<sup>th</sup> of October 2020. Anthony Castagna was reappointed to the Board on 8<sup>th</sup> of August 2019.

### Operating results

The profit of the Group for the financial year after providing for income tax amounted to \$23,587,666 (2019: (Restated) \$7,441,818), 2018 (Restated) \$6,292,894.

### Review of operations

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

|                     | 2020        | 2019<br>Restated | 2018<br>Restated | 2019-2020<br>MOVEMENT | 2018-2019<br>MOVEMENT |
|---------------------|-------------|------------------|------------------|-----------------------|-----------------------|
| Revenue             | 175,858,894 | 139,633,198      | 113,615,564      | 26%                   | 23%                   |
| EBITDA*             | 62,643,893  | 35,196,071       | 21,102,641       | 78%                   | 67%                   |
| NPAT**              | 23,587,666  | 7,441,818        | 6,292,894        | 217%                  | 18%                   |
| Operating cash flow | 58,558,639  | 25,151,464       | 23,674,406       | 133%                  | 6%                    |
| Working capital     | (81,091)    | 21,348,060       | 9,752,993        | (100%)                | 119%                  |

\*EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation

\*\* NPAT - Net Profit after Tax

A reconciliation of EBITDA against profit for the year is shown below:

|                               | 2020       | 2019<br>Restated | 2018<br>Restated |
|-------------------------------|------------|------------------|------------------|
| Profit for the year           | 23,587,666 | 7,441,818        | 6,292,894        |
| Income tax expense            | 8,834,728  | 3,981,574        | 991,303          |
| Depreciation and amortization | 28,399,817 | 22,132,585       | 12,789,093       |
| Interest expense              | 1,859,172  | 1,709,844        | 1,031,375        |
| Interest income               | (37,490)   | (69,750)         | (2,024)          |
| EBITDA                        | 62,643,893 | 35,196,071       | 21,102,641       |

## Directors' Report (continued)

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

### Significant changes in state of affairs

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

### Principal activities

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

### Events since the end of the financial year

On 29<sup>th</sup> September 2020, the Company held an Extraordinary General Meeting which passed the following resolution: (1) change the type of the Company from proprietary company to public company limited by shares; (2) change the name of the Company from Nuix Pty Ltd. to Nuix Limited; and (3) change the Company constitution due to these changes.

These changes are expected to take effect from 6<sup>th</sup> November 2020.

On 19<sup>th</sup> October 2020 a former contractor to the Company filed a general protections claim under the Fair Work Act 2009 in the Fair Work Commission against the Company. The claim and subsequent correspondence seeks compensation and pecuniary penalties. Damages in the jurisdiction are uncapped and legal fees in defending such matters can be significant. The Company rejects the foundation of the claim but continues to assess its position given that the claim is not yet fully particularised and accordingly it is not possible to reliably estimate the potential financial impact of the claim.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected the Group's operations, results or state of affairs, or may do so in future years.

### Likely developments and expected results of operations

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

### Environmental regulation

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

## Directors' Report (continued)

### Meetings of directors

The numbers of meetings of the company's Board of Directors held during the fiscal year ended 30 June 2020, and the numbers of meetings attended by each director were:

|                         | FULL MEETINGS OF DIRECTORS |   |
|-------------------------|----------------------------|---|
|                         | A                          | B |
| Daniel Phillips         | 7                          | 7 |
| David Standen           | 7                          | 7 |
| Roy Frank Grady         | 7                          | 7 |
| Mark Warren de Ambrosis | 7                          | 7 |
| Jeffrey Bleich          | 7                          | 7 |
| Anthony Castagna        | 6                          | 6 |
| Rodney Graeme Vawdrey   | 7                          | 7 |

A = Number of meetings attended

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

### Dividends paid or recommended

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

### Insurance of officers

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

During FY2020, the Company paid a premium under a contract insuring each of certain 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.

### Indemnifying officers or auditor

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

## Directors' Report (continued)

### Auditor

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

### Audit and Non-audit services

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers Australia) for audit and non-audit services during the year are disclosed in Note 22.

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

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

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

### Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 69.

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

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

Daniel Phillips

Chairman

Sydney, Australia

30 October 2020

## Financial Report Contents

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## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2020

|  | NOTES | 2020<br>\$        | 2019<br>(RESTATED)<br>\$ | 2018<br>(RESTATED)<br>\$ |
|--|-------|-------------------|--------------------------|--------------------------|
| <b>Revenue</b>   | 5     | 175,858,894       | 139,633,198              | 113,615,564              |
| <b>Cost of goods sold</b>                                  |       | (20,685,738)      | (15,624,068)             | (12,343,798)             |
| <b>Gross profit</b>  |       | 155,173,156       | 124,009,130              | 101,271,766              |
| Sales and distribution                                     |       | (63,622,603)      | (57,822,137)             | (53,930,653)             |
| Research and development                                   |       | (32,805,070)      | (28,816,140)             | (16,940,359)             |
| General and administration                                 |       | (24,540,193)      | (26,071,321)             | (22,087,920)             |
| Other income   | 6     | 1,011,232         | 960,035                  | 763,149                  |
| Other gains - net  | 4     | (249,950)         | 1,023,487                | 407,340                  |
| <b>Operating profit</b>                                    |       | 34,966,572        | 13,283,054               | 9,483,323                |
| Finance costs  | 4     | (1,859,172)       | (1,709,844)              | (1,031,375)              |
| Share based payments expense                               | 4     | (685,006)         | (149,818)                | (1,167,751)              |
| <b>Profit before income tax</b>                            |       | 32,422,394        | 11,423,392               | 7,284,197                |
| Income tax expense   | 7     | (8,834,728)       | (3,981,574)              | (991,303)                |
| <b>Profit for the year</b>                                 |       | 23,587,666        | 7,441,818                | 6,292,894                |
| <b>Other comprehensive income</b>                          |       |                   |                          |                          |
| <i>Items that may be reclassified to profit or loss</i>    |       |                   |                          |                          |
| Exchange differences on translation of foreign operations  | 19    | 1,808,958         | 1,800,108                | 375,955                  |
| <b>Other comprehensive income, net of tax</b>              |       | 1,808,958         | 1,800,108                | 375,955                  |
| <b>Total comprehensive income for the year, net of tax</b> |       | <b>25,396,624</b> | <b>9,241,926</b>         | <b>6,668,849</b>         |
| <b>Earnings per share</b>                                  |       |                   |                          |                          |
| <b>Basic</b>   | 20    | 0.09              | 0.03                     | 0.03                     |
| <b>Diluted</b>   | 20    | 0.08              | 0.03                     | 0.03                     |

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

For the year ended 30 June 2020

|                                      | NOTES | 2020<br>\$         | 2019<br>(RESTATED)<br>\$ | 2018<br>(RESTATED)<br>\$ |
|--------------------------------------|-------|--------------------|--------------------------|--------------------------|
| <b>Current assets</b>                |       |                    |                          |                          |
| Cash and cash equivalents            | 8     | 38,538,759         | 27,331,898               | 26,998,317               |
| Trade and other receivables          | 9     | 60,204,351         | 44,900,443               | 34,251,863               |
| Other current assets                 | 10    | 1,897,673          | 9,100,636                | 1,739,709                |
| <b>Total current assets</b>          |       | <b>100,640,783</b> | <b>81,332,977</b>        | <b>62,989,889</b>        |
| <b>Non-current assets</b>            |       |                    |                          |                          |
| Property and equipment               | 11    | 2,412,710          | 2,468,091                | 3,014,832                |
| Intangible assets                    | 12    | 197,154,586        | 167,634,147              | 75,680,533               |
| Deferred tax asset                   | 7     | 498,780            | 2,600,171                | 4,149,356                |
| Right of use assets                  | 13    | 12,872,638         | 16,362,515               | 11,474,143               |
| <b>Total non-current assets</b>      |       | <b>212,938,714</b> | <b>189,064,924</b>       | <b>94,318,864</b>        |
| <b>Total assets</b>                  |       | <b>313,579,497</b> | <b>270,397,901</b>       | <b>157,308,753</b>       |
| <b>Current liabilities</b>           |       |                    |                          |                          |
| Trade and other payables             | 14    | 20,704,190         | 14,115,938               | 19,489,751               |
| Lease liabilities                    | 13    | 3,704,000          | 3,341,633                | 1,639,098                |
| Deferred revenue                     | 15    | 47,791,035         | 38,855,732               | 28,546,460               |
| Current tax liabilities              |       | 327,356            | 410,502                  | 437,620                  |
| Provisions                           | 16    | 2,664,068          | 3,261,112                | 2,616,504                |
| Borrowings                           | 17    | 25,531,225         | -                        | -                        |
| Other liability                      |       | -                  | -                        | 507,463                  |
| <b>Total current liabilities</b>     |       | <b>100,721,874</b> | <b>59,984,917</b>        | <b>53,236,896</b>        |
| <b>Non-current liabilities</b>       |       |                    |                          |                          |
| Deferred tax liabilities             | 7     | 5,333,672          | -                        | -                        |
| Lease liabilities                    | 13    | 11,539,250         | 14,791,574               | 9,958,875                |
| Provisions                           | 16    | 506,872            | 543,391                  | 526,514                  |
| Borrowings                           | 17    | -                  | 25,681,820               | 20,000,000               |
| <b>Total non-current liabilities</b> |       | <b>17,379,794</b>  | <b>41,016,785</b>        | <b>30,485,389</b>        |
| <b>Total liabilities</b>             |       | <b>118,101,668</b> | <b>101,001,702</b>       | <b>83,722,285</b>        |
| <b>Net assets</b>                    |       | <b>195,477,829</b> | <b>169,396,199</b>       | <b>73,586,468</b>        |
| <b>Equity</b>                        |       |                    |                          |                          |
| Issued capital                       | 18    | 104,227,205        | 104,227,205              | 17,809,218               |
| Reserves                             | 19    | 5,143,067          | 2,649,103                | 699,177                  |
| Retained earnings                    | 19    | 86,107,557         | 62,519,891               | 55,078,073               |
| <b>Total equity</b>                  |       | <b>195,477,829</b> | <b>169,396,199</b>       | <b>73,586,468</b>        |

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended 30 June 2020

|  | ISSUED<br>CAPITAL<br>\$ | SHARE OPTION<br>RESERVE<br>\$ | FOREIGN<br>CURRENCY<br>TRANSLATION<br>RESERVE<br>\$ | RETAINED<br>EARNINGS<br>\$ | TOTAL<br>EQUITY<br>\$ |
|--|-------------------------|-------------------------------|---|----------------------------|-----------------------|
| Balance at 1 July 2017, as previously reported | 8,801,888               | 3,511,320                     | 1,811,947   | 55,875,278                 | 70,000,433            |
| Net impact of restatement                      | -                       | -                             | -   | (7,090,099)                | (7,090,099)           |
| Balance at 1 July 2017 (restated*)             | 8,801,888               | 3,511,320                     | 1,811,947   | 48,785,179                 | 62,910,334            |
| Profit for the year (restated)                 | -                       | -                             | -   | 6,292,894                  | 6,292,894             |
| Other comprehensive income                     | -                       | -                             | 375,955   | -                          | 375,955               |
| Total comprehensive income                     | -                       | -                             | 375,955   | 6,292,894                  | 6,668,849             |
| Contributions of equity                        | 9,007,330               | -                             | -   | -                          | 9,007,330             |
| Buy-back options                               | -                       | (6,176,255)                   | -   | -                          | (6,176,255)           |
| Foreign currency exchange difference           | -                       | 8,459                         | -   | -                          | 8,459                 |
| Employee share options                         | -                       | 1,167,751                     | -   | -                          | 1,167,751             |
| <b>Balance at 30 June 2018 (restated)</b>      | <b>17,809,218</b>       | <b>(1,488,725)</b>            | <b>2,187,902</b>                                    | <b>55,078,073</b>          | <b>73,586,468</b>     |
| Profit for the year (restated)                 | -                       | -                             | -   | 7,441,818                  | 7,441,818             |
| Other comprehensive income                     | -                       | -                             | 1,800,108   | -                          | 1,800,108             |
| Total comprehensive income                     | -                       | -                             | 1,800,108   | 7,441,818                  | 9,241,926             |
| Contributions of equity                        | 86,417,987              | -                             | -   | -                          | 86,417,987            |
| Employee share options                         | -                       | 149,818                       | -   | -                          | 149,818               |
| <b>Balance at 30 June 2019 (restated)</b>      | <b>104,227,205</b>      | <b>(1,338,907)</b>            | <b>3,988,010</b>                                    | <b>62,519,891</b>          | <b>169,396,199</b>    |
| Profit for the year                            | -                       | -                             | -   | 23,587,666                 | 23,587,666            |
| Other comprehensive income                     | -                       | -                             | 1,808,958   | -                          | 1,808,958             |
| Total comprehensive income                     | -                       | -                             | 1,808,958   | 23,587,666                 | 25,396,624            |
| Contributions of equity                        | -                       | -                             | -   | -                          | -                     |
| Employee share options                         | -                       | 685,006                       | -   | -                          | 685,006               |
| <b>Balance at 30 June 2020</b>                 | <b>104,227,205</b>      | <b>(653,901)</b>              | <b>5,796,968</b>                                    | <b>86,107,557</b>          | <b>195,477,829</b>    |

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

\* See Notes 1(z) and 19 for details regarding the restatement

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

|   | NOTES | 2020<br>\$        | 2019<br>(RESTATED)<br>\$ | 2018<br>(RESTATED)<br>\$ |
|---|-------|-------------------|--------------------------|--------------------------|
| <b>Cash flows from operating activities</b>                     |       |                   |                          |                          |
| Receipts from customers (inclusive of GST and VAT)              |       | 176,507,257       | 140,702,587              | 114,508,255              |
| Payments to employees and suppliers                             |       | (115,744,005)     | (113,620,186)            | (89,551,692)             |
| Interest received   |       | 37,490            | 69,750                   | 2,024                    |
| Interest paid   |       | (1,822,882)       | (1,675,894)              | (1,024,675)              |
| Income tax paid   |       | (419,221)         | (324,793)                | (259,506)                |
| Net cash provided from operating activities                     | 25    | 58,558,639        | 25,151,464               | 23,674,406               |
| <b>Cash flows from investing activities</b>                     |       |                   |                          |                          |
| Purchase of property and equipment                              | 11    | (1,355,029)       | (609,154)                | (2,183,972)              |
| Payments for software development costs                         |       | (42,454,758)      | (37,930,294)             | (25,385,166)             |
| Acquisition of business   |       | -                 | (75,947,376)             | -                        |
| Purchase of intangible assets                                   | 12    | (1,021,392)       | (511,492)                | (1,178,974)              |
| Net cash used in investing activities                           |       | (44,831,179)      | (114,998,316)            | (28,748,112)             |
| <b>Cash flows from financing activities</b>                     |       |                   |                          |                          |
| Proceeds from issuance of shares                                |       | -                 | 86,417,987               | 9,007,330                |
| Principal payments of lease                                     |       | (2,812,360)       | (2,072,948)              | (2,112,478)              |
| Proceeds from borrowings  | 17    | -                 | 5,681,820                | 5,000,000                |
| Transaction costs on borrowings                                 |       | (150,595)         | -                        | -                        |
| Net cash provided by financing activities                       |       | (2,962,955)       | 90,026,859               | 11,894,852               |
| Net change in cash and cash equivalents                         |       | 10,764,505        | 180,007                  | 6,821,146                |
| <b>Cash and cash equivalents at beginning of financial year</b> | 8     | 27,331,898        | 26,998,317               | 20,341,298               |
| Exchange differences on cash and cash equivalents               |       | 442,356           | 153,574                  | (164,127)                |
| <b>Cash and cash equivalents at end of financial year</b>       |       | <b>38,538,759</b> | <b>27,331,898</b>        | <b>26,998,317</b>        |

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

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

For the financial year ending 30 June 2020, the Group has elected to prepare general purpose financial statements in accordance with Tier Australian 1 Accounting Standards and will no longer apply the disclosure available under special purpose financial reporting. Therefore the consolidated financial statements for the financial year ending 30 June 2020 are the first financial statements issued by the Group that comply with Australian Accounting Standards and Interpretations, including AASB 1 First-time Adoption Australian Accounting Standards (“AASB 1”), with a transition date of 1 July 2017. First time adoption has led to incremental disclosures being included throughout the financial report for comparative information. In addition, in order to comply with AASB 1, the Group has transitioned AASB 16 Leases on 1 July 2017 (the beginning of the comparative period presented). The Group’s adoption of AASB 1 did not have any other impact on the financial position, financial performance and cash flows of the Group. As such these financial statements do not include an opening balance sheet. These consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial statements are for the consolidated entity consisting of Nuix Pty Ltd and its subsidiaries. The financial report has been prepared in accordance with the accounting policies disclosed below. Such accounting policies are consistent with the previous period unless otherwise stated.

The COVID-19 coronavirus outbreak was declared a pandemic by the World Health Organisation on 11 March 2020. The outbreak and the response of governments in dealing with the pandemic is interfering with general activity levels within the community and the economy. The scale and duration of these developments continue to remain uncertain as at the date of this report. However, the Group has not been materially or adversely impacted by COVID-19.

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

The financial statements were authorised for issue by the Board of Directors on 30 October 2020.

### a. Basis of preparation

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

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

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2019.

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

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

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

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

### b. Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Nuix Pty Ltd (‘Nuix’ or ‘Group’ or ‘Company’) as at 30 June 2020 and the results of all subsidiaries for the year then ended. Nuix Pty Ltd and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

## Notes to the Consolidated Financial Statements (continued)

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

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

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

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

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

### **c. Segment report**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The Board of the Company has appointed a strategic steering committee which assesses the financial performance and position of the Group and makes strategic decisions. The steering committee, which has been identified as being the chief operating decision maker, consists of the Group chief executive officer and the chief financial officer.

### **d. Income tax**

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

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

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

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

## Notes to the Consolidated Financial Statements (continued)

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

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

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

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

### ***(iii) Uncertainty over income tax treatments***

The application of the tax law to a particular transaction or circumstance 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 and the recognition and measurement of uncertain tax treatments it is assumed that the relevant taxation authority will examine amounts it has a 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 uncertain tax treatment is measured using either of the following methods:

- (a) 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
- (b) 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 judgments made in relation to the uncertain tax treatment are made consistently for current and deferred tax.

## Notes to the Consolidated Financial Statements (continued)

### e. Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

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

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

The excess of the:

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

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

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

### f. Property and equipment

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

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

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

| CLASS OF FIXED ASSET            | DEPRECIATION RATE                      |
|---------------------------------|--|
| Property and computer equipment | 33%                                    |
| Furniture and fixture           | 20%                                    |
| Leasehold improvement           | 20% or lease term whichever is shorter |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income.

## Notes to the Consolidated Financial Statements (continued)

### g. Leases

See Note 1(z) and Note 13 for the Group's accounting policy for leases.

### h. Investments and other financial assets

#### **Classification**

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

#### **Recognition and derecognition**

Regular purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

#### **Measurement**

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### **Impairment**

The Group assesses on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables (see Note 9(a) for further details).

### i. Impairment of non-financial assets

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

## Notes to the Consolidated Financial Statements (continued)

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

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

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

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

### **j. Intangible assets**

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

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

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

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

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

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

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

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

##### **Development Costs**

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

## Notes to the Consolidated Financial Statements (continued)

established. The expenditure capitalised comprises 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.

### **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 incurred.

### **Amortisation**

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

The estimated useful lives are as follows:

| CLASS OF FIXED ASSET  | AMORTISATION RATE |
|-----------------------|-------------------|
| Software              | 33%               |
| Intellectual Property | 10% - 33%         |

## **k. Foreign currency transactions and balances**

### **(i) Functional and presentation currency**

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

### **(ii) Transactions and balances**

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

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

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

### **(iii) Group companies**

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

## Notes to the Consolidated Financial Statements (continued)

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

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

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

### **I. Trade and other payables**

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

### **m. Borrowings**

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 consolidated statement of comprehensive income over the period of the borrowings 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.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### **n. Provision**

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

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

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

## Notes to the Consolidated Financial Statements (continued)

### **o. Employee benefits**

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

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

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

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

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

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

Employees of the Group are entitled to benefits from the Group's superannuation plan on retirement, health insurance plan and 401K. The Group's superannuation plan has a defined contribution section. The defined contribution section receives fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions.

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

Share-based compensation benefits are provided to employees via the Nuix Employee 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 reserves. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Company revises its 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.

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

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

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

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

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

## Notes to the Consolidated Financial Statements (continued)

### p. Cash and cash equivalents

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

### q. Trade receivables

Trade receivables are recognised initially at 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. They are generally due for settlement within 30 days and are therefore all classified as current. See Note 9 for further information about the Group's accounting for trade receivables and for a description of the Group's impairment policies.

### r. Revenue recognition

#### **AASB 15 Revenue from Contracts with Customers**

The Group discloses revenue within two categories, namely sale of goods and services. During 2018, 2019 and 2020 there has been no change to the nature of the revenue transactions.

AASB 15 aligns revenue recognition with the pattern for transfer of control of the output from satisfying a performance obligation to a customer. In order to achieve this, the standard requires the application of a five-step model in recognising revenue from contracts with customers:

1. Identify the contract with the customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to performance obligations based on their relative standalone selling price; and
5. Recognise revenue when, or as, performance obligations are satisfied.

Revenue is recognised upon transfer of control of promised products and services to customers in the amount that reflects the consideration expected to be received in exchange.

The Group's revenue primarily consists of license fees from customers' right to use the software.

#### **Revenue recognition approach**

Revenue is recognised for the major business activities and delivery platforms as follows:

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

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

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

## Notes to the Consolidated Financial Statements (continued)

In Nuix's case, the software is generally provided on-premise and is updated through updates and releases. However, these updates and releases are not critical to the continued utility of the software as is. The software could be held stable and still provide the same benefit to the customers who have purchased licenses. There is also no contractual obligation under the End User License Agreement (EULA) to update customers with the new substantial functionality of the software. As a result, it is appropriate that annual license revenue is considered a right to use license (upfront recognition).

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

Maintenance and support services are either bundled into licensing arrangements or sold separately to customers. Where these services are bundled the Group allocates the transaction price to maintenance and support performance obligations based on their relative standalone selling price. We determine standalone selling price by considering multiple factors including but not limited to prices we charge for similar offerings, market conditions, competitive landscape and pricing practices. Priority is placed on market observable pricing where available. Maintenance and support services are provided over the contractual period and accordingly are recognised over time. Amounts that are billed and yet to be recognised as revenue are recognised as deferred revenue/contract liabilities.

### ***(iii) 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 at the time the consulting and training are completed.

### ***(iv) 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.

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

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

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

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

### ***(vii) Delivery Platforms – on Premise or SaaS***

The Group provides customers with a choice of licensing and delivery platform. Delivery platforms can be either SaaS or On premise. SaaS refers to cloud-based software which can be hosted on Nuix's SaaS environment or hosted in Partners' SaaS environments.

For On-Demand licensing contracts, there are a series of distinct goods and services including access to software maintenance and support provided to customers that are treated as a single performance obligation because they are delivered in the same pattern over a period of time.

### ***(viii) Costs of obtaining a customer contract***

AASB 15 requires that incremental costs associated with acquiring a customer contract, such as sales commissions, be recognised as an asset and amortised over a period that corresponds with the period of benefit. An assessment of commissions paid by the Group was performed in connection with the sale of software products. As a practical expedient, Nuix generally recognises the commissions as an expense

## Notes to the Consolidated Financial Statements (continued)

when incurred given the amortisation period of any capitalised amount would be recognised in one year or less. This is a result of license revenue being recognised at a point in time and commensurate commission being paid upon renewal of a contract. Consequently, under current arrangements costs of obtaining a contract are expensed in the period incurred.

### ***(ix) Principal versus agent***

Where the Group uses resellers, the Group must assess whether its customer is the reseller 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 reseller recognised as commission expense within costs of goods sold. Where the reseller is the customer, revenue is recognised at the net amount received.

Where Nuix considers that the end user is its customer it is on the basis that resellers are an extension of the salesforce. Under these Reseller Agreements, Nuix is primarily responsible to the end user for delivery and acceptability of the product and issues licences directly to the end user. Nuix bears significant risk in end user delivery.

### **s. Government grants**

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

#### ***Deferral and presentation of government grants***

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

Allowances under the 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.

### **t. Issued capital**

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

### **u. Goods and services tax**

Revenues, expenses and assets are recognised net of the associated goods and services tax (GST), unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or 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.

## Notes to the Consolidated Financial Statements (continued)

### v. Classification of expenses

When required by Australian Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. See Note 1(z) for changes to comparative figures.

#### **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 revenues, research and development, sales and distribution and general and administration. This 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.

#### **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.

#### **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.

#### **Sales and distribution expenses**

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

#### **General and administration expenses**

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

#### **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.

### w. New accounting standards and interpretation

In accordance with AASB 1, the Group has adopted new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. These same accounting policies have been applied throughout all periods presented.

## Notes to the Consolidated Financial Statements (continued)

The adoption of the new and revised standards includes AASB 16 – Leases, as described in Note 1(z) and Note 13, and Interpretation 23 – Uncertainty over Income Tax Treatments as described below.

### (a) Interpretation 23 – Uncertainty over Income Tax Treatments

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty
- that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, ie that detection risk should be ignored
- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method best predicts the resolution of the uncertainty, and
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

While there are no new disclosure requirements, the Group's judgements and estimates made in preparing the financial statements are disclosed in Note 1(y).

### x. Parent entity financial information

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

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

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

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

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment. There were no financial guarantees during the year (2019: Nil).

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

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

### y. Critical accounting estimates and assumptions

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

## Notes to the Consolidated Financial Statements (continued)

the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

#### **(a) 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 software support services which are generally treated as three (3) separate performance obligations on the basis that the customers benefit from the goods or services on their own and are separately identifiable in the contract. Customers substantially benefit from the software licencing immediately and have a right to use the software at the point software licence keys are provided. Consequently, revenue from software licencing is recognised at this point in time when control is transferred to customers. Software support and maintenance on the other hand are recognised over time given the customers derive benefits as provided and consequently revenue is recognised over the period of the agreement.

Judgement has been exercised in estimating the standalone selling price for software licences with bundled support and maintenance. In order to estimate the stand-alone 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.

#### **(b) Recognition of revenue distributed by resellers**

Where the Group uses resellers, the Group must assess whether its customer is the reseller 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 reseller recognised as commission expense. Where the reseller is the customer, revenue is recognised at a net amount received.

Nuix has exercised judgement in determining that in some cases the end user is its customer on the basis that under the Reseller Agreement, Nuix is primarily responsible to the end user for delivery and acceptability of the product and issues licences directly to the end user. Nuix bears significant risk in end user counter party delivery and brand equity.

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

Nuix accounts for share-based payments to employees, including grants of employee options, which requires that share-based payments be recognised in the consolidated statements of financial position based on their fair values. Nuix recognises share based compensation expense, net of an estimated forfeiture rate, on a straight-line basis over the service period of the award, which generally extends to a Corporate Transaction event. Nuix uses the Black-Scholes option pricing model to determine the grant date fair value of stock 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 we expect employees to hold their options, risk-free interest rates and dividends to be paid on our stock over that term.

If Nuix changes the terms of its employee share-based compensation programs, refines future assumptions or changes to other acceptable 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. There are inherent difficulties in determining market volatility for an unlisted entity.

## Notes to the Consolidated Financial Statements (continued)

Furthermore, the expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information. Being a private company with constant and consistent growth finding a comparable cohort of companies to which we can benchmark is difficult. Nuix has assumed a constant volatility rate over the past 3 years in accordance with our own judgement and estimates.

### ***(iii) 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 recognised separately from goodwill and then amortised over their estimated useful lives. The capitalisation of these assets and the related amortisation charges are based on judgements about the value and economic life of such items.

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 the assets. The economic lives for intangible assets are estimated at between three and ten years for internal projects, which includes internal use software and internally generated software, and between three and ten years for acquired intangible assets. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

As at 30 June 2020, the carrying amount of intangible assets was \$197,154,586 (2019: \$167,634,147; 2018: \$75,680,533).

### ***(iv) 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 outcome of these matters is different from the amount that was initially recognised, such differences will impact on the results for the year and the respective income tax and deferred tax assets or provisions in the year in which such determination is made. The Group recognises tax assets based on forecasts of future profits against which those assets may be utilised.

The Group recognises and measures uncertain tax treatments in accordance with the policy stated at Note 1 (d) (iii) above.

In the current and prior years, the Group has exercised judgment in recognising and measuring the tax benefit of Research and Development tax offsets available under Australian tax legislation relating to eligible Research and Development expenditure incurred on eligible overseas development activities in excess of related eligible Australian activities. In respect of the Group's Endpoint project, the relevant overseas and Australian activities was the subject of an advance overseas finding for the years ended 30 June 2016 to 30 June 2018. These activities continued to be undertaken for the years ended 30 June 2019 and 2020. The relevant advance overseas finding continues to be in force.

The advance overseas finding was made on the basis 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 IR&D Act 1986. The finding was made on the basis of estimates of actual and anticipated expenditure on the activities provided by the Group in the course of the application for advance and overseas finding in September 2016.

The Group has exercised judgment in assessing that it is probable that relevant taxation authority (the Australian Taxation Office) will accept the tax treatment for the Endpoint project.

## Notes to the Consolidated Financial Statements (continued)

As at 30 June 2020 there was a deferred tax asset of \$7,276,037 (30 June 2019: \$7,141,380; 30 June 2018: \$6,818,657) recognised in respect of overseas expenditure in this project of which approximately \$1,606,398 (2019: \$1,576,668, 2018: \$1,505,418) representing the excess overseas development expenditure would be de-recognised if the tax treatment for R&D tax offset purposes would not be accepted by the Australian Taxation Office (ATO) and the ATO was accepting the revenue characterisation of the excess overseas development expenditure as assessed to be probable in relation to the years ended 30 June 2019 and 2020.

In relation to the years ended 30 June 2019 and 30 June 2020, despite the excess overseas development expenditure on the continuing activities being activities subject to the advance overseas finding continuing to be in force, the Group has exercised judgment in assessing that the tax treatment of the excess overseas development expenditure on the relevant activities in the filed tax position for the year ended 30 June 2019 and planned filed tax position for the year ended 30 June 2020 is an uncertain tax treatment.

In the years ended 30 June 2019 and 30 June 2020, the Group adopted the most likely amount method in recognising and measuring this uncertain tax treatment which in the case of the R&D tax offset calculations has been to treat the excess overseas R&D expenditure as not subject to notional deductibility in determining the available R&D tax offsets available under section 355-210 of the Income Tax Assessment Act 1997 (ITAA) in the years ended 30 June 2019 and 2020.

In having adopted that position in regard to the uncertain tax treatment of notional deductibility of the excess overseas R&D expenditure for years ended 30 June 2019 and 2020 the Group was required to exercise judgment in assessing the tax treatment of the excess overseas R&D expenditure on the relevant activities having a revenue characterisation and being tax deductible under section 8-1 of the ITAA in the year ended 30 June 2019 and 2020 as being probable of being accepted by the Australian Taxation Office on future examination with full knowledge of related information, allowing that such expenditure has been capitalised and amortised for accounting purposes.

The Group proposes to proactively engage with the Australian Taxation Office to address the uncertain tax treatment and to resolve the uncertainty in advance of finalisation of the audited financial statements for the year ending 30 June 2021.

As at 30 June 2020 the amount of R&D tax offset not recognised as a deferred tax asset was \$2,835,152 (30 June 2019: \$1,476,847; 30 June 2018: nil).

### **z. Representation of comparative information**

#### **(1) Change in accounting policy – lease accounting**

As indicated in note 1(w) above, the Group has adopted AASB 16 Leases retrospectively using the simplified transitional approach permitted under AASB 16. In accordance with AASB 1, AASB 16 has been reflected in the financial statements from 1 July 2017.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2017. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2017 was 4.74%.

#### **(i) Practical expedients applied**

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2017 as short-term leases

## Notes to the Consolidated Financial Statements (continued)

- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

### **(ii) Measurement of right-of-use assets**

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any accrued lease payments relating to that lease recognised in the balance sheet as at 1 July 2017.

### **(2) Corrections to comparative period information**

In addition to the adoption of AASB 16, in preparation of the financial statements for the year ended 30 June 2020, the Company identified certain areas which required correction to prior period balances. These areas relate to:

- In the prior year, the Company used a cost-plus expected margin approach to determine the stand-alone selling price of support and maintenance services. In the current year, management considered it more appropriate that the stand-alone selling price be made with reference to adjusted market observable pricing for similar services. This has resulted in a higher allocation of consideration to support and maintenance services that is recognised over time as compared to the software license which is recognised at a point in time of inception of the contract. Deferred revenue has increased by \$11,758,231, \$12,838,001 and \$20,809,164 at 1 July 2017, 30 June 2018 and 30 June 2019, respectively.
- The Company has re-assessed its accounting treatment involving resellers. Prior year revenue and commission expenses were decreased by \$1,934,805 (year ended 30 June 2018: reduced by \$126,255) to reflect changes where Nuix determined certain resellers as being its end customers, and for certain discounts provided by resellers to the end user.
- The Group has also re-assessed the timing of revenue recognition for a customer renewal which has resulted in an increase in deferred revenue and reduction in retained earnings of \$6,073,200 as at 1 July 2018 and 30 June 2019.
- The deferred revenue assumed in the acquisition of Ringtail was adjusted to its fair value - resulting in a decrease in deferred revenue and goodwill of \$581,733 at 30 June 2019.
- The tax impacts of the above matters have also been recognised. In addition, the Group also corrected the deferred tax recognised in respect of a number of temporary differences.
- Certain expense related profit and loss classifications and balance sheet accounts were adjusted for consistency to the presentation in the current year including reflecting amortisation of intellectual property as a research and development expense rather than as a general and administration expense, allocation of overheads to research and development expenses and sales and distribution expenses rather than general and administration expenses, integrated solution department expenses being reflected in research and development expenses rather than sales and distribution and technical operations department expenses being reflected in cost of goods sold rather than sales and distribution expense. The result of these adjustments is reflected in the presentation adjustment column below.
- The statement of cash flows has been restated to reflect amounts paid for software development costs, payments for business combinations and indirect taxes collected. The result of these adjustments is reflected in the presentation adjustment column below.

The impact of the above on the Statement of Comprehensive Income, Statement of Financial Position, and Statement of Cash Flows - net of associated tax impacts - is as follows:

## Notes to the Consolidated Financial Statements (continued)

### Statement of Financial Position:

|                                 | 1 JULY 2017<br>AS REPORTED | LEASE<br>ADJUSTMENTS | CORRECTION<br>ADJUSTMENT | 1 JULY 2017<br>ADJUSTED |
|---------------------------------|----------------------------|----------------------|--------------------------|-------------------------|
| Right of use assets             | -                          | 13,298,363           | -                        | 13,298,363              |
| Deferred tax assets             | 2,457,646                  | 242,885              | 232,846                  | 2,933,377               |
| <b>Total assets</b>             | <b>115,629,831</b>         | <b>13,541,248</b>    | <b>232,846</b>           | <b>129,403,925</b>      |
| Trade and other payables        | 9,237,235                  | (123,830)            | -                        | 9,113,405               |
| Lease liabilities – current     | -                          | 1,581,110            | -                        | 1,581,110               |
| Deferred revenue                | 13,206,694                 | -                    | 12,534,383               | 25,741,077              |
| Deferred tax liabilities        | 5,284,303                  | (170,943)            | (4,797,611)              | 315,749                 |
| Lease liabilities – non-current | -                          | 11,841,083           | -                        | 11,841,083              |
| <b>Total liabilities</b>        | <b>45,629,398</b>          | <b>13,127,420</b>    | <b>7,736,772</b>         | <b>66,493,590</b>       |
| Retained earnings               | 55,875,278                 | 413,828              | (7,503,926)              | 48,785,180              |
| <b>Total equity</b>             | <b>70,000,433</b>          | <b>413,828</b>       | <b>(7,503,926)</b>       | <b>62,910,335</b>       |

|                                 | 30 JUNE 2018<br>AS REPORTED | LEASE<br>ADJUSTMENTS | PRESENTATION<br>ADJUSTMENT | CORRECTION<br>ADJUSTMENT | 30 JUNE 2018<br>ADJUSTED |
|---------------------------------|-----------------------------|----------------------|----------------------------|--------------------------|--------------------------|
| Other current assets            | 1,769,109                   | -                    | (29,400)                   | -                        | 1,739,709                |
| Deferred tax assets             | 2,157,393                   | 242,885              | -                          | 1,749,078                | 4,149,356                |
| Right of use assets             | -                           | 11,474,143           | -                          | -                        | 11,474,143               |
| <b>Total assets</b>             | <b>143,872,047</b>          | <b>11,717,028</b>    | <b>(29,400)</b>            | <b>1,749,078</b>         | <b>157,308,753</b>       |
| Trade and other payables        | 19,642,982                  | (123,831)            | (29,400)                   | -                        | 19,489,751               |
| Lease liabilities – current     | -                           | 1,639,098            | -                          | -                        | 1,639,098                |
| Deferred revenue                | 9,635,257                   | -                    | -                          | 18,911,203               | 28,546,460               |
| Deferred tax liabilities        | 5,132,522                   | (170,943)            | -                          | (4,961,579)              | -                        |
| Lease liabilities – non-current | -                           | 9,958,875            | -                          | -                        | 9,958,875                |
| <b>Total liabilities</b>        | <b>58,498,862</b>           | <b>11,303,199</b>    | <b>(29,400)</b>            | <b>13,949,624</b>        | <b>83,722,285</b>        |
| Retained earnings               | 66,864,790                  | 413,828              | -                          | (12,200,545)             | 55,078,073               |
| <b>Total equity</b>             | <b>85,373,185</b>           | <b>413,828</b>       | <b>-</b>                   | <b>(12,200,545)</b>      | <b>73,586,468</b>        |

## Notes to the Consolidated Financial Statements (continued)

|                                      | 30 JUNE 2019<br>AS REPORTED | LEASE<br>ADJUSTMENTS | PRESENTATION<br>ADJUSTMENT | CORRECTION<br>ADJUSTMENT | 30 JUNE 2019<br>ADJUSTED |
|--------------------------------------|-----------------------------|----------------------|----------------------------|--------------------------|--------------------------|
| Other current assets                 | 9,316,380                   | -                    | (215,744)                  | -                        | 9,100,636                |
| Property and equipment               | 3,117,793                   | -                    | (649,702)                  | -                        | 2,468,091                |
| Intangible assets                    | 167,566,178                 | -                    | 649,702                    | (581,733)                | 167,634,147              |
| Deferred tax assets                  | 665,732                     | 242,885              | -                          | 1,691,554                | 2,600,171                |
| Right of use assets                  | -                           | 16,362,515           | -                          | -                        | 16,362,515               |
| <b>Total assets</b>                  | <b>252,898,424</b>          | <b>16,605,400</b>    | <b>(215,744)</b>           | <b>1,109,821</b>         | <b>270,397,901</b>       |
| Trade and other payables             | 14,639,295                  | (479,202)            | (215,744)                  | 171,589                  | 14,115,938               |
| Lease liabilities – current          | -                           | 3,341,633            | -                          | -                        | 3,341,633                |
| Deferred revenue                     | 11,973,369                  | -                    | -                          | 26,882,363               | 38,855,732               |
| Current tax liabilities              | 965,505                     | -                    | -                          | (555,003)                | 410,502                  |
| Deferred tax liabilities             | 7,430,965                   | (170,943)            | -                          | (7,260,022)              | -                        |
| Lease liabilities – non-current      | -                           | 14,791,574           | -                          | -                        | 14,791,574               |
| <b>Total liabilities</b>             | <b>64,495,457</b>           | <b>17,483,062</b>    | <b>(215,744)</b>           | <b>19,238,927</b>        | <b>101,001,702</b>       |
| Foreign currency translation reserve | 3,963,949                   | 24,061               | -                          | -                        | 3,988,010                |
| Retained earnings                    | 81,550,720                  | (901,726)            | -                          | (18,129,103)             | 62,519,891               |
| <b>Total equity</b>                  | <b>188,402,967</b>          | <b>(877,665)</b>     | <b>-</b>                   | <b>(18,129,103)</b>      | <b>169,396,199</b>       |

### Statement of Comprehensive Income:

|                            | 30 JUNE 2018<br>AS REPORTED | LEASE<br>ADJUSTMENTS | PRESENTATION<br>ADJUSTMENT | CORRECTION<br>ADJUSTMENT | 30 JUNE 2018<br>ADJUSTED |
|----------------------------|-----------------------------|----------------------|----------------------------|--------------------------|--------------------------|
| Revenue                    | 120,118,636                 | -                    | -                          | (6,503,072)              | 113,615,564              |
| Cost of goods sold         | (10,354,915)                | -                    | (2,115,138)                | 126,255                  | (12,343,798)             |
| Gross profit               | 109,763,721                 | -                    | (2,115,138)                | (6,376,817)              | 101,271,766              |
| Sales and distribution     | (53,575,892)                | 244,530              | (599,291)                  | -                        | (53,930,653)             |
| Research and development   | (4,015,335)                 | 41,912               | (12,966,936)               | -                        | (16,940,359)             |
| General and administration | (37,771,103)                | 1,818                | 15,681,365                 | -                        | (22,087,920)             |
| Operating profit           | 15,571,880                  | 288,260              | -                          | (6,376,817)              | 9,483,323                |
| Finance costs              | (743,115)                   | (288,260)            | -                          | -                        | (1,031,375)              |
| Income tax expense         | (2,671,502)                 | -                    | -                          | 1,680,199                | (991,303)                |
| <b>Profit for the year</b> | <b>10,989,512</b>           | <b>-</b>             | <b>-</b>                   | <b>(4,696,618)</b>       | <b>6,292,894</b>         |

## Notes to the Consolidated Financial Statements (continued)

|                            | 30 JUNE 2019<br>AS REPORTED | LEASE<br>ADJUSTMENTS | PRESENTATION<br>ADJUSTMENT | CORRECTION<br>ADJUSTMENT | 30 JUNE 2019<br>ADJUSTED |
|----------------------------|-----------------------------|----------------------|----------------------------|--------------------------|--------------------------|
| Revenue                    | 150,120,898                 | -                    | -                          | (10,487,700)             | 139,633,198              |
| Cost of goods sold         | (13,607,584)                | -                    | (3,951,291)                | 1,934,807                | (15,624,068)             |
| Gross profit               | 136,513,314                 | -                    | (3,951,291)                | (8,552,893)              | 124,009,130              |
| Sales and distribution     | (57,801,522)                | (258,308)            | 237,693                    | -                        | (57,822,137)             |
| Research and development   | (6,607,097)                 | (243,784)            | (21,965,259)               | -                        | (28,816,140)             |
| General and administration | (51,751,642)                | 1,464                | 25,678,857                 | -                        | (26,071,321)             |
| Operating profit           | 22,336,575                  | (500,628)            | -                          | (8,552,893)              | 13,283,054               |
| Finance costs              | (894,918)                   | (814,926)            | -                          | -                        | (1,709,844)              |
| Income tax expense         | (6,605,909)                 | -                    | -                          | 2,624,335                | (3,981,574)              |
| Profit for the year        | <b>14,685,930</b>           | <b>(1,315,554)</b>   | -                          | <b>(5,928,558)</b>       | <b>7,441,818</b>         |

## Statement of Cash Flows:

|   | 30 JUNE 2018<br>AS REPORTED | LEASE<br>ADJUSTMENTS | PRESENTATION<br>ADJUSTMENT | 30 JUNE 2018<br>ADJUSTED |
|---|-----------------------------|----------------------|----------------------------|--------------------------|
| Receipts from customers                   | 111,138,416                 | -                    | 3,369,839                  | 114,508,255              |
| Payment to employees and suppliers        | (88,582,591)                | 2,400,738            | (3,369,839)                | (89,551,692)             |
| Interest paid                             | (736,415)                   | (288,260)            | -                          | (1,024,675)              |
| Net cash provided by operating activities | <b>21,561,928</b>           | <b>2,112,478</b>     | -                          | <b>23,674,406</b>        |
| Software development costs                | -                           | -                    | (25,385,166)               | (25,385,166)             |
| Purchase of intangibles                   | (26,564,140)                | -                    | 25,385,166                 | (1,178,974)              |
| Net cash used in investing activities     | <b>(28,748,112)</b>         | -                    | -                          | <b>(28,748,112)</b>      |
| Lease payments                            | -                           | (2,112,478)          | -                          | (2,112,478)              |
| Net cash provided by financing activities | <b>14,007,330</b>           | <b>(2,112,478)</b>   | -                          | <b>11,894,852</b>        |

## Notes to the Consolidated Financial Statements (continued)

|  | 30 JUNE 2019<br>AS REPORTED | LEASE<br>ADJUSTMENTS | PRESENTATION<br>ADJUSTMENT | 30 JUNE 2019<br>ADJUSTED |
|--|-----------------------------|----------------------|----------------------------|--------------------------|
| Receipts from customers                          | 135,920,234                 | -                    | 4,782,353                  | 140,702,587              |
| Payment to employees and suppliers               | (116,329,933)               | 2,887,874            | (178,127)                  | (113,620,186)            |
| Interest paid                                    | (860,968)                   | (814,926)            | -                          | (1,675,894)              |
| <b>Net cash provided by operating activities</b> | <b>18,474,290</b>           | <b>2,072,948</b>     | <b>4,604,226</b>           | <b>25,151,464</b>        |
| Purchase of property and equipment               | (1,258,856)                 | -                    | 649,702                    | (609,154)                |
| Software development costs                       | -                           | -                    | (37,930,294)               | (37,930,294)             |
| Acquisition of assets                            | -                           | -                    | (75,947,376)               | (75,947,376)             |
| Purchase of Intangibles                          | (109,135,234)               | -                    | 108,623,742                | (511,492)                |
| <b>Net cash used in investing activities</b>     | <b>(110,394,090)</b>        | <b>-</b>             | <b>(4,604,226)</b>         | <b>(114,998,316)</b>     |
| Lease payments                                   | -                           | (2,072,948)          | -                          | (2,072,948)              |
| <b>Net cash provided by financing activities</b> | <b>92,099,807</b>           | <b>(2,072,948)</b>   | <b>-</b>                   | <b>90,026,859</b>        |

## 2. FINANCIAL RISK MANAGEMENT

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

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

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk to determine market risk. Risk management is carried out by the corporate finance department under policies approved by the Board of Directors.

The Company has principles for overall risk management covering areas such as foreign exchange risk, credit risk and derivative financial instruments.

### a. Market risk

#### (i) Foreign exchange risk

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

## Notes to the Consolidated Financial Statements (continued)

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

|                           | 2020       |           |           | 2019       |           |           | 2018      |           |           |
|---------------------------|------------|-----------|-----------|------------|-----------|-----------|-----------|-----------|-----------|
|                           | USD        | EURO      | GBP       | USD        | EURO      | GBP       | USD       | EURO      | GBP       |
| Cash and cash equivalents | 16,774,320 | 6,869,341 | 5,061,790 | 20,900,580 | 2,706,372 | 1,981,443 | 5,414,586 | 3,193,126 | 5,061,790 |
| Trade receivables         | 4,265,924  | 614,415   | 404,601   | 2,562,412  | 872,134   | 2,169,769 | 2,530,800 | 604,371   | -         |
| Trade payables            | 148,325    | 210,117   | 7,708     | 156,849    | 146,971   | 41,745    | 309,510   | 198,962   | -         |

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

### Sensitivity

As shown in the table above, the Group is primarily exposed to changes in USD exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from US-dollar. Impact on profit after tax of +/- 10% change of USD against AUD will result to an increase / (decrease) of \$2,089,192 / (\$2,089,192) for the fiscal year ended 30 June 2020 (2019: \$2,330,614 / (\$2,330,614); 2018: \$763,588 / (\$763,588)).

### b. Credit risk

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

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

#### *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.

## Notes to the Consolidated Financial Statements (continued)

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 30 June 2019 or 30 July 2020 respectively 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. The Group has identified the consumer price index rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 30 June 2020, 30 June 2019 and 30 June 2018 was determined as follows for both trade receivables and contract assets:

|                             | 2020              |                    |                | 2019              |                    |                | 2018              |                    |                |
|-----------------------------|-------------------|--------------------|----------------|-------------------|--------------------|----------------|-------------------|--------------------|----------------|
|                             | Balance           | Expected Loss Rate | Loss Allowance | Balance           | Expected Loss Rate | Loss Allowance | Balance           | Expected Loss Rate | Loss Allowance |
| Current                     | 26,196,474        | 0.1%               | 30,962         | 27,275,145        | 1.0%               | 376,085        | 24,102,834        | 0.0%               | -              |
| 30 days                     | 3,237,575         | 1.5%               | 49,977         | 2,110,693         | 1.0%               | 26,327         | 1,161,984         | 0.0%               | -              |
| 60 days                     | 3,129,071         | 3.9%               | 122,719        | 603,024           | 2.0%               | 9,828          | 710,557           | 0.0%               | -              |
| 90 days                     | 988,985           | 6.9%               | 68,648         | 246,307           | 3.0%               | 6,256          | 230,762           | 0.0%               | -              |
| Over 90 days                | 1,639,175         | 10.6%              | 173,596        | 1,484,593         | 3.0%               | 37,706         | 764,084           | 0.0%               | -              |
| <b>Total</b>                | <b>35,191,280</b> |                    | <b>445,902</b> | <b>31,719,762</b> |                    | <b>456,202</b> | <b>26,970,220</b> |                    |                |
| Unbilled receivables        | 25,124,317        | 0.1%               | 23,834         | 13,636,883        | 0.0%               | -              | 7,281,643         | 0.0%               | -              |
| <b>Total</b>                | <b>25,124,317</b> |                    | <b>23,834</b>  | <b>13,636,883</b> |                    | <b>-</b>       | <b>34,251,863</b> |                    |                |
| <b>Total loss allowance</b> |                   |                    | <b>469,736</b> |                   |                    | <b>456,202</b> |                   |                    | <b>-</b>       |

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

|  | 2020<br>\$     | 2019<br>\$     | 2018<br>\$ |
|--|----------------|----------------|------------|
| As at 1 July   | 456,202        | -              | 71,643     |
| Increase in loan loss allowance recognised in profit or loss during the year | 1,081,746      | 1,168,022      | 493,061    |
| Receivables written off during the year as uncollectible                     | (1,075,700)    | (711,820)      | (564,704)  |
| Unused amount reversed   | 7,277          | -              | -          |
| Foreign exchange difference  | 211            | -              | -          |
| As at 30 June  | <b>469,736</b> | <b>456,202</b> | <b>-</b>   |

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.

## Notes to the Consolidated Financial Statements (continued)

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

### c. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through adequate committed credit facilities to meet financial obligations as and when they fall due. At the end of the reporting period the Group held deposits at call of \$38,538,759 (2019: \$27,331,898; 2018: \$26,998,317) that are expected to expeditiously generate cash inflows for managing liquidity risk.

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

The below page analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

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

| CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES | LESS THAN 6 MONTHS<br>\$ | 6-12 MONTHS<br>\$ | BETWEEN 1-3 YEARS<br>\$ | MORE THAN 3 YEARS<br>\$ | TOTAL<br>\$ | CARRYING AMOUNT LIABILITIES |
|---|--------------------------|-------------------|-------------------------|-------------------------|-------------|-----------------------------|
| At 30 June 2018                                 |                          |                   |                         |                         |             |                             |
| Trade payables                                  | 3,800,099                | -                 | -                       | -                       | 3,800,099   | 3,800,099                   |
| Lease liabilities                               | 996,914                  | 1,039,554         | 6,240,726               | 4,796,185               | 13,073,379  | 11,597,973                  |
| Borrowings                                      |                          |                   | 21,031,375              | -                       | 21,031,375  | 20,000,000                  |
|   | 4,797,013                | 1,039,554         | 27,272,101              | 4,796,185               | 37,904,853  | 35,398,072                  |
| At 30 June 2019                                 |                          |                   |                         |                         |             |                             |
| Trade payables                                  | 5,519,328                | -                 | -                       | -                       | 5,519,328   | 5,519,328                   |
| Lease liabilities                               | 2,181,101                | 1,809,741         | 9,610,608               | 7,016,274               | 20,617,724  | 18,133,207                  |
| Borrowings                                      | -                        | -                 | 26,576,738              | -                       | 26,576,738  | 25,681,820                  |
|   | 7,700,429                | 1,809,741         | 36,187,346              | 7,016,274               | 52,713,790  | 49,334,355                  |
| At 30 June 2020                                 |                          |                   |                         |                         |             |                             |
| Trade payables                                  | 6,769,750                | -                 | -                       | -                       | 6,769,750   | 6,769,750                   |
| Lease liabilities                               | 2,351,406                | 1,947,181         | 7,971,005               | 4,965,943               | 17,235,535  | 15,243,250                  |
| Borrowings (Note 17)                            | 26,555,011               | -                 | -                       | -                       | 26,555,011  | 25,531,225                  |
|   | 35,676,167               | 1,947,181         | 7,971,005               | 4,965,943               | 50,560,296  | 47,544,225                  |

### d. Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes in accordance with AASB 9 Financial Instruments. The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant.

## Notes to the Consolidated Financial Statements (continued)

### 3. 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:

|                              | 2020<br>\$         | 2019<br>(RESTATED)<br>\$ | 2018<br>(RESTATED)<br>\$ |
|------------------------------|--------------------|--------------------------|--------------------------|
| <i>Continuing operations</i> |                    |                          |                          |
| Software                     | 168,969,376        | 130,875,803              | 106,268,505              |
| Services                     | 5,890,893          | 8,274,963                | 6,391,613                |
| Hardware                     | 998,625            | 482,432                  | 955,446                  |
| <b>Total revenue</b>         | <b>175,858,894</b> | <b>139,633,198</b>       | <b>113,615,564</b>       |

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

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

|                               | 2020<br>\$        | 2019<br>(RESTATED)<br>\$ | 2018<br>(RESTATED)<br>\$ |
|-------------------------------|-------------------|--------------------------|--------------------------|
| EBITDA                        | 62,643,893        | 35,196,071               | 21,102,641               |
| Interest income               | 37,490            | 69,750                   | 2,024                    |
| Interest expense              | (1,859,172)       | (1,709,844)              | (1,031,375)              |
| Depreciation and amortisation | (28,399,817)      | (22,132,585)             | (12,789,093)             |
| Income tax expense            | (8,834,728)       | (3,981,574)              | (991,303)                |
| <b>Net profit after tax</b>   | <b>23,587,666</b> | <b>7,441,818</b>         | <b>6,292,894</b>         |

#### Geographic Information

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

## Notes to the Consolidated Financial Statements (continued)

Revenue generated by location of customer:

|                                       | 2020<br>\$  | 2019<br>(RESTATED)<br>\$ | 2018<br>(RESTATED)<br>\$ |
|---------------------------------------|-------------|--------------------------|--------------------------|
| Asia Pacific                          | 28,749,158  | 22,749,131               | 19,212,218               |
| Americas                              | 97,556,066  | 78,419,587               | 59,212,138               |
| Europe, Middle East and Africa (EMEA) | 49,553,670  | 38,464,480               | 35,191,208               |
|                                       | 175,858,894 | 139,633,198              | 113,615,564              |

Non-current assets by geographic location:

|                                       | 2020<br>\$  | 2019<br>(RESTATED)<br>\$ | 2018<br>(RESTATED)<br>\$ |
|---------------------------------------|-------------|--------------------------|--------------------------|
| Asia Pacific                          | 111,458,736 | 101,995,420              | 84,842,917               |
| Americas                              | 100,870,261 | 85,737,361               | 7,450,720                |
| Europe, Middle East and Africa (EMEA) | 609,717     | 1,332,143                | 2,025,227                |
|                                       | 212,938,714 | 189,064,924              | 94,318,864               |

#### 4. PROFIT FOR THE YEAR

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

|   | 2020<br>\$ | 2019<br>(RESTATED)<br>\$ | 2018<br>(RESTATED)<br>\$ |
|---|------------|--------------------------|--------------------------|
| Employee benefits                                 |            |                          |                          |
| Wages and salaries                                |            |                          |                          |
| Sales and distribution                            | 48,961,052 | 41,974,275               | 40,878,806               |
| Research and development                          | 4,270,922  | 6,740,827                | 3,551,293                |
| General and administration                        | 12,456,450 | 12,203,436               | 10,038,241               |
| Employee option expense                           | 685,006    | 149,818                  | 1,167,751                |
| Finance costs                                     |            |                          |                          |
| Interest expense                                  | 1,859,172  | 1,709,844                | 1,031,375                |
| Other losses / (gains) – net                      |            |                          |                          |
| Realised and unrealised foreign exchange (gain)   | (249,950)  | (1,023,487)              | (407,340)                |
| Expenses (included in general and administration) |            |                          |                          |
| Bad debts expense                                 | 1,708,639  | 1,168,022                | 493,061                  |
| Rental expense on operating leases                | 371,546    | 660,918                  | 707,731                  |
| Depreciation and amortization                     |            |                          |                          |
| Sales and distribution                            | 2,887,030  | 2,879,077                | 1,103,887                |
| Research and development                          | 24,626,131 | 18,970,699               | 11,274,704               |
| General and administration                        | 886,656    | 282,809                  | 410,502                  |

## Notes to the Consolidated Financial Statements (continued)

### 5. REVENUE

|          | 2020<br>\$  | 2019<br>(RESTATED)<br>\$ | 2018<br>(RESTATED)<br>\$ |
|----------|-------------|--------------------------|--------------------------|
| Software | 168,969,376 | 130,875,803              | 106,268,505              |
| Services | 5,890,893   | 8,274,963                | 6,391,613                |
| Hardware | 998,625     | 482,432                  | 955,446                  |
|          | 175,858,894 | 139,633,198              | 113,615,564              |

#### Disaggregation of revenue

AASB 15 requires disclosure of revenue disaggregation that best depicts how the nature, amount, timing and uncertainty of the Group's revenue and cash flows are affected by economic factors.

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

| <i>Timing of revenue recognition</i> | 2020<br>\$  | 2019<br>(RESTATED)<br>\$ | 2019<br>(RESTATED)<br>\$ |
|--------------------------------------|-------------|--------------------------|--------------------------|
| Point in time                        | 127,276,391 | 108,216,453              | 90,597,557               |
| Overtime                             | 48,582,503  | 31,416,745               | 23,018,007               |
|                                      | 175,858,894 | 139,633,198              | 113,615,564              |

### 6. OTHER INCOME

|                         | NOTES | 2020<br>\$ | 2019<br>(RESTATED)<br>\$ | 2019<br>(RESTATED)<br>\$ |
|-------------------------|-------|------------|--------------------------|--------------------------|
| Government grant income | (a)   | 973,742    | 890,285                  | 761,125                  |
| Bank interest           |       | 37,490     | 69,750                   | 2,024                    |
|                         |       | 1,011,232  | 960,035                  | 763,149                  |

#### a. Government grants

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.

## Notes to the Consolidated Financial Statements (continued)

### 7. INCOME TAX EXPENSE

#### (a) Income tax expense

|   | 2020<br>\$       | 2019<br>(RESTATED)<br>\$ | 2018<br>(RESTATED)<br>\$ |
|---|------------------|--------------------------|--------------------------|
| <b>Current tax</b>                                |                  |                          |                          |
| Current tax on profits for the year               | 4,724,292        | 2,432,389                | 2,523,030                |
| <b>Total current tax expense</b>                  | <b>4,724,292</b> | <b>2,432,389</b>         | <b>2,523,030</b>         |
| <b>Deferred income tax</b>                        |                  |                          |                          |
| (Increase) / decrease in deferred tax assets      | (1,223,235)      | 1,549,185                | (1,531,727)              |
| Increase / (decrease) in deferred tax liabilities | 5,333,671        | -                        | -                        |
| <b>Total deferred tax expense</b>                 | <b>4,110,436</b> | <b>1,549,185</b>         | <b>(1,531,727)</b>       |
| <b>Income tax expense</b>                         | <b>8,834,728</b> | <b>3,981,574</b>         | <b>991,303</b>           |

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

|   | 2020<br>\$       | 2019<br>(RESTATED)<br>\$ | 2018<br>(RESTATED)<br>\$ |
|---|------------------|--------------------------|--------------------------|
| Profit before income tax expense  | 32,422,394       | 11,423,392               | 7,284,197                |
| Tax at the Australian tax rate of 30% (2019: 30%; 2018: 30%)                            | 9,726,718        | 3,427,018                | 2,185,259                |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: |                  |                          |                          |
| Entertainment   | 48,132           | 80,839                   | 80,143                   |
| Share-based payments  | 149,902          | 40,671                   | 350,325                  |
| Interest expense  | -                | 15,331                   | 184,264                  |
| Difference in overseas tax rates  | (658,888)        | (765,955)                | (1,167,477)              |
| Write-off carried forward loss  | -                | 1,530,848                | (41,898)                 |
| Research and development tax credit   | (303,370)        | (267,491)                | (169,525)                |
| Others  | (127,766)        | (79,687)                 | (429,788)                |
| <b>Income tax expense</b>   | <b>8,834,728</b> | <b>3,981,574</b>         | <b>991,303</b>           |

## Notes to the Consolidated Financial Statements (continued)

### Deferred tax balances

#### (i) Deferred tax assets

The balance comprises temporary differences attributable to:

|   | 2020<br>\$   | 2019<br>(RESTATED)<br>\$ | 2018<br>(RESTATED)<br>\$ |
|---|--------------|--------------------------|--------------------------|
| Research and development tax credit to carry forward            | 19,038,462   | 22,363,088               | 18,653,906               |
| Employee benefits   | 1,316,975    | 688,044                  | 640,197                  |
| Deferred revenue  | 9,822,557    | 8,534,486                | 7,014,967                |
| Lease liabilities   | 3,697,079    | 4,290,309                | 4,290,309                |
| Tax losses  | 21,875       | 25,870                   | 70,137                   |
| Property and equipment  | 243,965      | 9,922                    | (219,333)                |
| Others  | 83,027       | 1,172,389                | 230,280                  |
| Total deferred tax assets                                       | 34,223,940   | 37,084,108               | 30,680,463               |
| Set-off deferred tax liabilities pursuant to set-off provisions | (33,725,160) | (34,483,937)             | (26,531,107)             |
| Net deferred tax assets   | 498,780      | 2,600,171                | 4,149,356                |

#### (ii) Deferred tax liabilities

The balance comprises temporary differences attributable to:

|  | 2020<br>\$   | 2019<br>(RESTATED)<br>\$ | 2018<br>(RESTATED)<br>\$ |
|--|--------------|--------------------------|--------------------------|
| Intellectual property                                      | 35,373,921   | 29,534,998               | 22,640,833               |
| Right of use assets  | 3,127,293    | 3,876,591                | 3,876,591                |
| Others   | 557,618      | 1,072,348                | 13,683                   |
| Total deferred tax liabilities                             | 39,058,832   | 34,483,937               | 26,531,107               |
| Set-off deferred tax assets pursuant to set-off provisions | (33,725,160) | (34,483,937)             | (26,531,107)             |
| Net deferred tax liabilities                               | 5,333,672    | -                        | -                        |

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

## 8. CASH AND CASH EQUIVALENTS

This account consists of cash in bank amounting to \$38,538,759 (2019: \$27,331,898; 2018: \$26,998,317). The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents aforementioned.

## Notes to the Consolidated Financial Statements (continued)

### 9. TRADE AND OTHER RECEIVABLES

|  | NOTE | 2020<br>\$        | 2019<br>(RESTATED)<br>\$ | 2018<br>(RESTATED)<br>\$ |
|--|------|-------------------|--------------------------|--------------------------|
| Trade receivables  |      | 35,191,280        | 31,719,762               | 26,970,220               |
| Provision for impairment of trade receivables and unbilled revenue | (a)  | (469,736)         | (456,202)                | -                        |
| Unbilled revenue   |      | 25,124,317        | 13,636,883               | 7,281,643                |
| Other debtors  |      | 358,490           | -                        | -                        |
| <b>Total trade and other receivables</b>                           |      | <b>60,204,351</b> | <b>44,900,443</b>        | <b>34,251,863</b>        |

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

#### (a) Provision for impairment of receivables and unbilled receivables

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

The Group applied the simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables as the assets do not contain significant financing component. A provision for impairment is recognised before the credit loss is incurred based on the relevant loss rates applied to outstanding balances of trade receivables. There was no material impact from the adoption of AASB 9.

These amounts have been included in the general and administration expenses. The amount of the provision was \$469,736 (2019: \$456,202; 2018: nil). The individually impaired receivables mainly relate to smaller clients who experienced financial distress. During 30 June 2020, \$1,075,700 (2019: \$711,820; 2018: \$564,704) was written off as bad debts. As a percentage of total Group revenue, the provision for impairment recognised during the year is negligible.

## Notes to the Consolidated Financial Statements (continued)

The ageing of overdue receivables is as follows:

|               | 2020<br>\$ | 2019<br>\$ | 2018<br>\$ |
|---------------|------------|------------|------------|
| 1 – 3 months  | 7,339,720  | 2,269,879  | 2,103,302  |
| 4 – 6 months  | 737,989    | 630,180    | 521,004    |
| Over 6 months | 917,097    | 1,544,558  | 243,080    |
|               | 8,994,806  | 4,444,617  | 2,867,386  |

The movements in receivables provision is disclosed in Note 2(b). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

### a. Foreign exchange and interest rate risk

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

### b. Fair value and credit risk

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

## 10. OTHER CURRENT ASSETS

|                            | 2020<br>\$ | 2019<br>\$ | 2018<br>\$ |
|----------------------------|------------|------------|------------|
| Prepayments (a)            | 1,698,529  | 9,064,528  | 1,583,882  |
| Other receivables          | 199,144    | 36,108     | 155,827    |
| Total other current assets | 1,897,673  | 9,100,636  | 1,739,709  |

(a) FY2019 balance is inclusive of Ringtail data centre.

## Notes to the Consolidated Financial Statements (continued)

## 11. PROPERTY AND EQUIPMENT

|   | OFFICE &<br>COMPUTER<br>EQUIPMENT | FURNITURE<br>& FIXTURE | LEASEHOLD<br>IMPROVEMENT | TOTAL        |
|---|-----------------------------------|------------------------|--------------------------|--------------|
| <b>At 1 July 2017</b>                       |                                   |                        |                          |              |
| At cost                                     | 7,798,158                         | 462,548                | 2,107,254                | 10,367,960   |
| Accumulated depreciation                    | (5,595,689)                       | (233,059)              | (1,498,933)              | (7,327,681)  |
| Net book amount                             | 2,202,469                         | 229,489                | 608,321                  | 3,040,279    |
| <b>Year ended 30 June 2018</b>              |                                   |                        |                          |              |
| Opening net book amount                     | 2,202,469                         | 229,489                | 608,321                  | 3,040,279    |
| Forex difference – cost                     | 259,608                           | 14,804                 | 46,466                   | 320,878      |
| Forex difference – accumulated depreciation | (250,106)                         | (12,392)               | (41,774)                 | (304,272)    |
| Additions                                   | 1,018,232                         | 558,555                | 607,185                  | 2,183,972    |
| Disposals                                   | -                                 | (4,746)                | -                        | (4,746)      |
| Depreciation                                | (1,626,990)                       | (130,423)              | (463,866)                | (2,221,279)  |
| Closing net book amount                     | 1,603,213                         | 655,287                | 756,332                  | 3,014,832    |
| <b>At 30 June 2018</b>                      |                                   |                        |                          |              |
| At cost                                     | 9,075,998                         | 1,020,088              | 2,757,374                | 12,853,460   |
| Accumulated depreciation                    | (7,472,785)                       | (364,801)              | (2,001,042)              | (9,838,628)  |
| Net book amount                             | 1,603,213                         | 655,287                | 756,332                  | 3,014,832    |
| <b>Year ended 30 June 2019</b>              |                                   |                        |                          |              |
| Opening net book amount                     | 1,603,213                         | 655,287                | 756,332                  | 3,014,832    |
| Forex difference – cost                     | 355,715                           | 51,538                 | 75,261                   | 482,514      |
| Forex difference – accumulated depreciation | (318,901)                         | (19,175)               | (52,729)                 | (390,805)    |
| Additions                                   | 373,437                           | 9,976                  | 518,410                  | 901,823      |
| Disposals                                   | -                                 | (2,579)                | -                        | (2,579)      |
| Depreciation                                | (1,123,730)                       | (205,905)              | (208,059)                | (1,537,694)  |
| Closing net book amount                     | 889,734                           | 489,142                | 1,089,215                | 2,468,091    |
| <b>At 30 June 2019</b>                      |                                   |                        |                          |              |
| At cost                                     | 9,805,150                         | 1,079,023              | 3,351,045                | 14,235,218   |
| Accumulated depreciation                    | (8,915,416)                       | (589,881)              | (2,261,830)              | (11,767,127) |
| Net book amount                             | 889,734                           | 489,142                | 1,089,215                | 2,468,091    |
| <b>Year ended 30 June 2020</b>              |                                   |                        |                          |              |
| Opening net book amount                     | 889,734                           | 489,142                | 1,089,215                | 2,468,091    |
| Forex difference – cost                     | 161,975                           | 23,272                 | 46,594                   | 231,841      |
| Forex difference – accumulated depreciation | (136,583)                         | (7,708)                | (15,878)                 | (160,169)    |
| Additions                                   | 895,056                           | 12,402                 | 447,571                  | 1,355,029    |
| Disposals                                   | (2,896)                           | -                      | -                        | (2,896)      |
| Depreciation                                | (760,069)                         | (188,436)              | (530,681)                | (1,479,186)  |
| Closing net book amount                     | 1,047,217                         | 328,672                | 1,036,821                | 2,412,710    |
| <b>At 30 June 2020</b>                      |                                   |                        |                          |              |
| At cost                                     | 10,859,285                        | 1,114,697              | 3,845,210                | 15,819,192   |
| Accumulated depreciation                    | (9,812,068)                       | (786,025)              | (2,808,389)              | (13,406,482) |
| Net book amount                             | 1,047,217                         | 328,672                | 1,036,821                | 2,412,710    |

## Notes to the Consolidated Financial Statements (continued)

## 12. INTANGIBLE ASSETS

|  | GOODWILL<br>(RESTATED) | SOFTWARE    | BRAND   | INTELLECTUAL<br>PROPERTY | TOTAL<br>(RESTATED) |
|--|------------------------|-------------|---------|--------------------------|---------------------|
| <b>At 1 July 2017</b>                                    |                        |             |         |                          |                     |
| At cost  | -                      | 1,703,207   | -       | 69,083,944               | 70,787,151          |
| Accumulated amortisation & impairment                    | -                      | (1,092,122) | -       | (11,837,702)             | (12,929,824)        |
| Net book amount  | -                      | 611,085     | -       | 57,246,242               | 57,857,327          |
| <b>Year ended 30 June 2018</b>                           |                        |             |         |                          |                     |
| Opening net book amount                                  | -                      | 611,085     | -       | 57,246,242               | 57,857,327          |
| Forex difference – cost                                  | -                      | 32,759      | -       | 1,963                    | 34,722              |
| Forex difference – accumulated amortisation & impairment | -                      | (31,349)    | -       | (711)                    | (32,060)            |
| Additions  | -                      | 12,662      | -       | 26,551,478               | 26,564,140          |
| Amortisation   | -                      | (449,875)   | -       | (8,293,721)              | (8,743,596)         |
| Closing net book amount                                  | -                      | 175,282     | -       | 75,505,251               | 75,680,533          |
| <b>At 30 June 2018</b>                                   |                        |             |         |                          |                     |
| At cost  | -                      | 1,748,628   | -       | 95,637,385               | 97,386,013          |
| Accumulated amortisation & impairment                    | -                      | (1,573,346) | -       | (20,132,134)             | (21,705,480)        |
| Net book amount  | -                      | 175,282     | -       | 75,505,251               | 75,680,533          |
| <b>Year ended 30 June 2019</b>                           |                        |             |         |                          |                     |
| Opening net book amount                                  | -                      | 175,282     | -       | 75,505,251               | 75,680,533          |
| Forex difference – cost                                  | -                      | 61,008      | -       | 2,880                    | 63,888              |
| Forex difference – accumulated amortisation & impairment | -                      | (59,248)    | -       | (113,511)                | (172,759)           |
| Additions  | 4,422,365              | 301,067     | 712,276 | 103,767,495              | 109,203,203         |
| Amortisation   | -                      | (251,160)   | -       | (16,889,558)             | (17,140,718)        |
| Closing net book amount                                  | 4,422,365              | 226,949     | 712,276 | 162,272,557              | 167,634,147         |
| <b>At 30 June 2019</b>                                   |                        |             |         |                          |                     |
| At cost  | 4,422,365              | 2,110,703   | 712,276 | 199,407,760              | 206,653,104         |
| Accumulated amortisation & impairment                    | -                      | (1,883,754) | -       | (37,135,203)             | (39,018,957)        |
| Net book amount  | 4,422,365              | 226,949     | 712,276 | 162,272,557              | 167,634,147         |
| <b>Year ended 30 June 2020</b>                           |                        |             |         |                          |                     |
| Opening net book amount                                  | 4,422,365              | 226,949     | 712,276 | 162,272,557              | 167,634,147         |
| Forex difference – cost                                  | 121,014                | 35,612      | 17,225  | 1,791,566                | 1,965,417           |
| Forex difference – accumulated amortisation & impairment | -                      | (27,975)    | -       | 66,077                   | 38,102              |
| Additions  | -                      | 24,349      | -       | 51,038,451               | 51,062,800          |
| Disposals  | -                      | (18,029)    | -       | (176,355)                | (194,384)           |
| Amortisation   | -                      | (113,284)   | -       | (23,238,212)             | (23,351,496)        |
| Closing net book amount                                  | 4,543,379              | 127,622     | 729,501 | 191,754,084              | 197,154,586         |
| <b>At 30 June 2020</b>                                   |                        |             |         |                          |                     |
| At cost  | 4,543,379              | 2,152,635   | 729,501 | 252,061,422              | 259,486,937         |
| Accumulated amortisation & impairment                    | -                      | (2,025,013) | -       | (60,307,338)             | (62,332,351)        |
| Net book amount  | 4,543,379              | 127,622     | 729,501 | 191,754,084              | 197,154,586         |

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

The Group acquired goodwill as part of the acquisition of Ringtail in September 2018. The Group tests whether goodwill has suffered any impairment this fiscal year ended June 30, 2020. The recoverable amount of the CGU (the Group only has one CGU and that is Nuix operations as a whole) was determined based on value-in-use calculations which require the use of assumptions.

## Notes to the Consolidated Financial Statements (continued)

The calculations use cash flow projections based on financial budget approved by the Board and extrapolated using the estimated growth rates stated below covering a five-year period. These growth rates are a combination of historical data and forecast of the CGU.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

|                                  | 2020  | 2019  | 2018 |
|----------------------------------|-------|-------|------|
| Post-tax discount rate per annum | 9.2%  | 9.2%  | -    |
| Pre-tax discount rate per annum  | 13.1% | 13.1% | -    |
| Long-term perpetuity growth rate | 2.5%  | 2.5%  | -    |

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

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter.

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

### 13. LEASES

#### a. Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

|   | 2020<br>\$ | 2019<br>\$ | 2018<br>\$ |
|---|------------|------------|------------|
| <b>Right of use assets, net of depreciation</b> | 12,872,638 | 16,362,515 | 11,474,143 |
| <b>Lease liabilities</b>                        |            |            |            |
| Current   | 3,704,000  | 3,341,633  | 1,639,098  |
| Non-current                                     | 11,539,250 | 14,791,574 | 9,958,875  |
|   | 15,243,250 | 18,133,207 | 11,597,973 |

## Notes to the Consolidated Financial Statements (continued)

Additions to the right-of-use assets during FY2020 were Nil (FY2019: \$2,336,281). There are no lease commitments.

### b. Amounts recognised in profit or loss

The profit or loss shows the following amounts relating to leases:

|   | 2020<br>\$ | 2019<br>\$ | 2018<br>\$ |
|---|------------|------------|------------|
| Depreciation charge of right-of-use assets  | 3,569,135  | 3,454,174  | 1,824,218  |
| Interest expense (included in finance cost)   | 726,705    | 814,926    | 288,260    |
| Expenses relating to short-term leases  | 349,609    | 186,453    | 238,146    |
| Expenses relating to leases of low-value assets that are not shown above as short-term leases | 14,608     | 5,776      | 11,252     |
|   | 4,660,057  | 4,461,329  | 2,361,876  |

### c. The Group's leasing activities and how these are accounted for

The Group leases various offices and equipment. Rental contracts are typically made for fixed periods of 3 months to 5 years but may have extension options as described in (d) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

From 1 July 2017, leases are recognised as a right-of-use asset with a corresponding liability recognised at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and
- makes adjustments specific to the lease, e.g., term, country, currency and security.

## Notes to the Consolidated Financial Statements (continued)

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

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

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

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

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

### d. Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

## 14. TRADE AND OTHER PAYABLES

|   | 2020<br>\$ | 2019<br>\$ | 2018<br>\$ |
|---|------------|------------|------------|
| Sundry payables and accrued expenses        | 9,498,410  | 5,232,797  | 4,833,190  |
| Trade payables                              | 6,769,750  | 5,519,328  | 3,800,099  |
| Customer deposits                           | 452,559    | 146,939    | 103,790    |
| Payroll tax and other statutory liabilities | 1,822,353  | 1,813,862  | 9,805,798  |
| Indirect taxes payable                      | 2,161,118  | 1,403,012  | 946,874    |
| Total trade and other payables              | 20,704,190 | 14,115,938 | 19,489,751 |

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

## Notes to the Consolidated Financial Statements (continued)

### 15. DEFERRED REVENUE

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

|                                | 2020<br>\$        | 2019<br>\$        | 2018<br>\$        |
|--------------------------------|-------------------|-------------------|-------------------|
| <i>Customer-related</i>        |                   |                   |                   |
| Annual license and maintenance | 24,396,365        | 19,252,758        | 15,838,665        |
| Maintenance income             | 14,911,704        | 13,286,796        | 6,565,930         |
| Perpetual licence              | 6,296             | 16,143            | -                 |
| Processing income              | 1,442,793         | -                 | -                 |
| Professional service income    | 1,194,691         | 460,849           | 419,206           |
|                                | 41,951,849        | 33,016,546        | 22,823,800        |
| <i>Tax incentive related</i>   |                   |                   |                   |
| Research and development       | 5,839,186         | 5,839,186         | 5,722,660         |
| <b>Total deferred revenue</b>  | <b>47,791,035</b> | <b>38,855,732</b> | <b>28,546,460</b> |

Deferred revenue reflects the value of advance payments made by customers who have been invoiced for services that will be provided in the future.

Movements during the year of customer-related deferred revenue are as under:

|  | 2020<br>\$   | 2019<br>\$   | 2018<br>\$   |
|--|--------------|--------------|--------------|
| Opening balance                        | 33,016,546   | 22,823,800   | 20,157,357   |
| Revenue recognised in the current year | (61,252,620) | (56,384,080) | (61,154,860) |
| Invoiced during the period             | 70,181,826   | 66,506,171   | 63,760,353   |
| Exchange differences                   | 6,095        | 70,655       | 60,950       |
| Closing balance                        | 41,951,849   | 33,016,546   | 22,823,800   |

Movements during the year of tax incentive - related deferred revenue are as under:

|   | 2020<br>\$ | 2019<br>\$ | 2018<br>\$ |
|---|------------|------------|------------|
| Opening balance                               | 5,839,186  | 5,722,660  | 4,807,568  |
| Other income recognised in the current year   | (973,742)  | (890,285)  | (761,125)  |
| Additional research and development incentive | 973,742    | 1,006,811  | 1,676,217  |
| Closing balance                               | 5,839,186  | 5,839,186  | 5,722,660  |

Applying the practical expedient of AASB 15, paragraph 121, the Group does not disclose further qualitative information related to remaining performance obligations, as they are part of a contract that has an original expected duration of one year or less.

## Notes to the Consolidated Financial Statements (continued)

## 16. PROVISIONS

|                      | 2020<br>\$ | 2019<br>\$ | 2018<br>\$ |
|----------------------|------------|------------|------------|
| <b>Current</b>       |            |            |            |
| Annual leave         | 2,329,961  | 3,093,508  | 2,476,241  |
| Long service leave   | 334,107    | 167,604    | 140,263    |
|                      | 2,664,068  | 3,261,112  | 2,616,504  |
| <b>Non-current</b>   |            |            |            |
| Long service leave   | 203,866    | 241,525    | 230,255    |
| Make good obligation | 303,006    | 301,866    | 296,259    |
|                      | 506,872    | 543,391    | 526,514    |

Movements during the year:

|   | 2020<br>\$ | 2019<br>\$ | 2018<br>\$ |
|---|------------|------------|------------|
| <b>Annual leave</b>                     |            |            |            |
| <b>Opening balance</b>                  | 3,093,508  | 2,476,241  | 1,893,687  |
| Charged to profit or loss               | (763,547)  | 617,267    | 582,554    |
| Closing balance                         | 2,329,961  | 3,093,508  | 2,476,241  |
| <b>Long service leave - current</b>     |            |            |            |
| Opening balance                         | 167,604    | 140,263    | 90,213     |
| Charged to profit or loss               | 166,503    | 27,341     | 50,050     |
| Closing balance                         | 334,107    | 167,604    | 140,263    |
| <b>Total - current</b>                  | 2,664,068  | 3,261,112  | 2,616,504  |
| <b>Long service leave – non-current</b> |            |            |            |
| Opening balance                         | 241,525    | 230,255    | 160,670    |
| Charged to profit or loss               | (37,659)   | 11,270     | 69,585     |
| Closing balance                         | 203,866    | 241,525    | 230,255    |
| <b>Make good obligation</b>             |            |            |            |
| Opening balance                         | 301,866    | 296,259    | 292,955    |
| Charged to profit or loss               | 1,140      | 5,607      | 3,304      |
| Closing balance                         | 303,006    | 301,866    | 296,259    |
| <b>Total – non-current</b>              | 506,872    | 543,391    | 526,514    |

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

## Notes to the Consolidated Financial Statements (continued)

NuiX is required to restore the leased office at 1 Market Street in Sydney and Unit 17C in Cork Airport Business Park in Cork to the original condition at the end of the respective leases. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets.

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

### 17. BORROWINGS

|                    | NOTE | 2020<br>\$ | 2019<br>\$ | 2018<br>\$ |
|--------------------|------|------------|------------|------------|
| <b>Current</b>     |      |            |            |            |
| Bank Loans         | (b)  | 25,531,225 | -          | -          |
| <b>Non-current</b> |      |            |            |            |
| Bank Loans         | (a)  | -          | 25,681,820 | 20,000,000 |

#### (a) Secured liabilities

NuiX Pty Ltd utilised the cash facility of \$25,531,225 out of \$50,942,515 (\$40M AUD and \$7.5M USD). The financing is provided by Commonwealth Bank of Australia (CBA) with interest repayable on a quarterly basis over the term of the loan. The facility is secured over the Group's assets. Drawdown made during 2020 was nil (2019: \$4,000,000 USD; 2018: \$5,000,000 AUD).

#### (b) Loan covenants

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

- Gross leverage ratio (GLR) does not exceed 1.75:1;
- Interest cover ratio (ICR) is equal to or greater than 3.00:1;
- Obligors own at least 95% of total assets of the Group and are responsible for at least 95% of EBITDA of the Group during the relevant period; and
- Minimum cash balance of \$10M over the period.

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

For the year ended FY2019 the Company did not furnish audited financial statements to CBA within the 120 day borrowing requirements stipulated within the borrowing agreement. In September 2020, notification was received from CBA formalising their position regarding the late submission of audited financial statements for FY2019 outlining that CBA would not be asserting its rights, including its right to terminate borrowing facilities in this scenario. Given notification was received post 30 June 2020 balance date then as at 30 June 2020 CBA still possessed the right to terminate borrowing facilities. Accordingly, the Company has classified borrowings for the year ended 30 June 2020 as a current liability.

## Notes to the Consolidated Financial Statements (continued)

### 18. ISSUED CAPITAL

|   | NOTE | 2020<br>\$  | 2019<br>\$  | 2018<br>\$ |
|---|------|-------------|-------------|------------|
| 265,400,633 (2019: 265,400,633; 2018: 217,390,649) fully paid ordinary shares | (a)  | 104,227,205 | 104,227,205 | 17,809,218 |

The issued shares do not carry a par value.

|                                    | NUMBER<br># | ISSUE PRICE*<br>\$ | AMOUNT<br>\$ |
|------------------------------------|-------------|--------------------|--------------|
| <b>Movements in issued capital</b> |             |                    |              |
| Balance as at 30 June 2017         | 212,389,650 |                    | 8,801,888    |
| Shares issued during 2018          | 5,000,999   | 1.80               | 9,007,330    |
| Balance as at 30 June 2018         | 217,390,649 |                    | 17,809,218   |
| Shares issued during 2019          | 48,009,984  | 1.80               | 86,417,987   |
| Balance as at 30 June 2019         | 265,400,633 |                    | 104,227,205  |
| Shares issued during 2020          | -           | -                  | -            |
| Balance as at 30 June 2020         | 265,400,633 |                    | 104,227,205  |

\*weighted average price

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

#### a. Capital risk management

Management controls the capital of the Group in order to maintain 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.

### 19. EQUITY

#### a. Share-based payments

The share-based payments reserve is used to recognise:

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

## Notes to the Consolidated Financial Statements (continued)

### b. Movement in reserves

|   | 2020<br>\$       | 2019<br>\$       | 2018<br>\$     |
|---|------------------|------------------|----------------|
| <b>Share option reserve (net of buy-back)</b> |                  |                  |                |
| As at 1 July                                  | (1,338,907)      | (1,488,725)      | 3,511,320      |
| Share based payment costs                     | 685,006          | 149,818          | 1,176,210      |
| Buy-back options                              | -                | -                | (6,176,255)    |
| As at 30 June                                 | (653,901)        | (1,338,907)      | (1,488,725)    |
| <b>Foreign currency translation reserve</b>   |                  |                  |                |
| As at 1 July                                  | 3,988,010        | 2,187,902        | 1,811,947      |
| Foreign currency translation reserve          | 1,808,958        | 1,800,108        | 375,955        |
| As at 30 June                                 | 5,796,968        | 3,988,010        | 2,187,902      |
| <b>Total Reserves</b>                         | <b>5,143,067</b> | <b>2,649,103</b> | <b>699,177</b> |

### c. Retained earnings

|                             | 2020<br>\$ | 2019<br>(RESTATED)<br>\$ | 2018<br>(RESTATED)<br>\$ |
|-----------------------------|------------|--------------------------|--------------------------|
| Retained earnings           | 62,519,891 | 55,078,073               | 55,875,278               |
| Prior period adjustment     | -          | -                        | (7,090,099)              |
| Retained earnings, restated | 62,519,891 | 55,078,073               | 48,785,179               |
| Net profit for the year     | 23,587,666 | 7,441,818                | 6,292,894                |
| Total retained earnings     | 86,107,557 | 62,519,891               | 55,078,073               |

## 20. EARNINGS PER SHARE

|   | 2020<br>\$  | 2019<br>(RESTATED)<br>\$ | 2018<br>(RESTATED)<br>\$ |
|---|-------------|--------------------------|--------------------------|
| Profit for the year   | 23,587,666  | 7,441,818                | 6,292,894                |
| Basic weighted average number of ordinary shares                | 265,400,633 | 265,400,633              | 217,390,649              |
| Basic earnings per share  | 0.09        | 0.03                     | 0.03                     |
| Profit for the year   | 23,587,666  | 7,441,818                | 6,292,894                |
| Basic weighted average number of ordinary shares                | 265,400,633 | 265,400,633              | 217,390,649              |
| Shares issuable in relation to equity-based compensation scheme | 36,499,547  | 15,368,900               | 15,368,900               |
| Diluted weighted average number of ordinary shares              | 301,900,180 | 280,769,533              | 232,759,549              |
| Diluted earnings per share                                      | 0.08        | 0.03                     | 0.03                     |

## Notes to the Consolidated Financial Statements (continued)

### 21. DIVIDENDS

During the year the Directors did not declare an interim dividend (2019: Nil) and have not recommended a final dividend be paid after 30 June 2020 (2019: Nil). Franking credits arising from the payment of income tax, by the parent entity, Nuix Pty Ltd, during the years ended 30 June 2020 and 30 June 2019 are represented below.

| Franking credits  | Parent Entity |            |            |
|---|---------------|------------|------------|
|   | 2020<br>\$    | 2019<br>\$ | 2018<br>\$ |
| <b>Franking Credits Attributable To Parent Entity</b>   |               |            |            |
| Franking credits available for subsequent financial years based on a tax rate of 30% (2019: 30%; 2018: 30%) | 668,772       | 668,772    | 668,772    |

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

- franking credits that will arise from the payment of the amount of the provision for income tax,
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date (2019: Nil), and,
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date (2019: Nil).

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

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

|  | 2020<br>\$ | 2019<br>\$ | 2018<br>\$ |
|--|------------|------------|------------|
| Nuix North America Inc.                          | 188,036    | 228,584    | 245,032    |
| Nuix Technology UK Ltd                           | 15,902     | 87,363     | -          |
| Nuix Philippines Regional Operating Headquarters | 12,920     | 8,846      | 3,790      |
| Nuix Ireland Ltd                                 | 202,364    | -          | 10,684     |
|  | 419,222    | 324,793    | 259,506    |

### 22. AUDITORS' REMUNERATION

|  | 2020<br>\$ | 2019<br>\$ | 2018<br>\$ |
|--|------------|------------|------------|
| <b>PricewaterhouseCoopers Australia</b>    |            |            |            |
| Audit and other assurance                  | 300,000    | 279,800    | 225,000    |
| Other assurance                            | 42,785     | 405,200    | 27,000     |
| Total for audit and other assurance        | 342,785    | 685,000    | 252,000    |
| Taxation services                          | 28,281     | 14,000     | 14,000     |
| Total for taxation services                | 28,281     | 14,000     | 14,000     |
| Total for PricewaterhouseCoopers Australia | 371,066    | 699,000    | 266,000    |

## Notes to the Consolidated Financial Statements (continued)

It is the Group's policy to engage PricewaterhouseCoopers Australia on assignments in addition to their statutory audit duties where their expertise and experience with the Group are important. These assignments are principally tax advice. It is the Group's policy to seek competitive tenders for all major consulting projects.

### 23. RELATED PARTY DISCLOSURES

#### a. Parent entity

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

#### b. Interests in other entities

| Name of entity                 | Place of business/<br>country of incorporation | Ownership interest held by the Group |      |      | Ownership interest held by non-controlling interests |      |      | Principal activities |
|--------------------------------|--|--------------------------------------|------|------|--|------|------|----------------------|
|                                |  | 2020                                 | 2019 | 2018 | 2020   | 2019 | 2018 |                      |
| <b>Nuix North America, Inc</b> | USA  | 100%                                 | 100% | 100% | 0%   | 0%   | 0%   | Sale of Software     |
| <b>Nuix Ireland Ltd</b>        | Ireland  | 100%                                 | 100% | 100% | 0%   | 0%   | 0%   | Sale of Software     |
| <b>Nuix Pte Ltd</b>            | Singapore                                      | 100%                                 | 100% | 100% | 0%   | 0%   | 0%   | Sale of Software     |
| <b>Nuix Holding Pty Ltd</b>    | Australia                                      | 100%                                 | 100% | 100% | 0%   | 0%   | 0%   | Holding Company      |
| <b>Nuix USG Inc.</b>           | USA  | 100%                                 | 100% | 100% | 0%   | 0%   | 0%   | Sale of Software     |
| <b>Nuix Technology UK Ltd</b>  | UK   | 100%                                 | 100% | 100% | 0%   | 0%   | 0%   | Sale of Software     |
| <b>Nuix Philippines ROHQ</b>   | Philippines                                    | 100%                                 | 100% | 100% | 0%   | 0%   | 0%   | Business Support     |

#### c. Key Management Personnel compensation

|                              | 2020<br>\$       | 2019<br>\$       | 2018<br>\$       |
|------------------------------|------------------|------------------|------------------|
| Short-term employee benefits | 1,883,202        | 1,504,329        | 1,691,115        |
| Post-employment benefits     | 76,505           | 45,531           | 45,049           |
| Long-term benefits           | 84,699           | 72,532           | 72,532           |
| Share-based payment expense  | 238,803          | 307,722          | 482,896          |
| <b>Total</b>                 | <b>2,283,209</b> | <b>1,930,114</b> | <b>2,291,592</b> |

#### 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.

## Notes to the Consolidated Financial Statements (continued)

### Other long-term benefits

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

### d. Transactions with other related parties

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

|   | 2020<br>\$  |                        | 2019<br>\$  |                        | 2018<br>\$  |                        |
|---|-------------|------------------------|-------------|------------------------|-------------|------------------------|
|   | TRANSACTION | OUTSTANDING<br>BALANCE | TRANSACTION | OUTSTANDING<br>BALANCE | TRANSACTION | OUTSTANDING<br>BALANCE |
| <i>Sale and purchases of goods and services</i> |             |                        |             |                        |             |                        |
| Sale of goods to other related parties          | 46,296      | 3,225                  | 2,150,744   | -                      | 760,006     | 404,670                |
| Purchase of service from other related party    | 697         | -                      | -           | -                      | -           | -                      |

## 24. SHARE-BASED PAYMENTS

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

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

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

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

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

Once vested, the Options become exercisable following the consummation of a Corporate Transaction / Liquidity Event (as defined in the Plan rules) or a date determined by the Board. However, under some earlier Plan rules, Options are exercisable for a period of three years once they become fully vested.

Following the exercise of the Options, a vested Option is converted into one ordinary share within a certain number of business days as determined by the Plan rules (generally ten to fifteen business days). The exercise price of options is determined by a combination of internal and external valuation methodologies and presided over by the Board of Directors.

## Notes to the Consolidated Financial Statements (continued)

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

| Average Exercise Price Per<br>Number of Share Options | 2020 |             | 2019<br>(RESTATED)* |              | 2018<br>(RESTATED) |             |
|---|------|-------------|---------------------|--------------|--------------------|-------------|
|   | \$   | #           | \$                  | #            | \$                 | #           |
| As at 1 July  | 0.84 | 41,154,823  | 0.83                | 43,050,373   | 0.72               | 53,044,523  |
| Granted during the year                               | 2.40 | 349,800     | 2.40                | 20,886,900   | 2.30               | 1,530,000   |
| Exercised during the year                             | -    | -           | -                   | -            | 0.12               | (3,959,150) |
| Sold  | -    | -           | -                   | -            | -                  | -           |
| Forfeited during the year                             | 1.40 | (1,850,000) | 2.24                | (22,782,450) | 0.80               | (7,565,000) |
| As at 30 June   | 0.71 | 39,654,623  | 0.84                | 41,154,823   | 0.83               | 43,050,373  |
| Exercisable at 30 June                                | 0.70 | 36,046,274  | 0.71                | 36,383,278   | 0.01               | 15,368,900  |

\*Prior year amounts restated to include forfeitures

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

| Grant Date   | Last Exercise Date | Weighted Average Exercise Price | Share Options (Post Split) 30 June 2020 | Share Options (Post Split) 30 June 2019 | Share Options (Post Split) 30 June 2018 |
|--------------|--------------------|---------------------------------|---|---|---|
| FYE 2006     | CE                 | \$0.0002                        | 15,000,000                              | 15,000,000                              | 15,000,000                              |
| FYE 2009     | OT                 | \$2.00                          | 453,273**                               | -                                       | -                                       |
| FYE 2010     | CT                 | \$0.06                          | 1,854,000                               | 1,854,000                               | 1,935,850                               |
| FYE 2011     | CT                 | \$0.10                          | 1,259,450                               | 1,259,450                               | 1,709,700                               |
| FYE 2012     | CT                 | \$0.31                          | 869,550                                 | 1,091,000                               | 1,372,800                               |
| FYE 2012     | CE                 | \$0.26                          | 147,450                                 | 147,450                                 | -                                       |
| FYE 2013     | CT                 | \$0.61                          | 1,007,500                               | 1,337,500                               | 1,677,500                               |
| FYE 2014     | CT                 | \$0.86                          | 2,967,500                               | 3,173,750                               | 3,682,500                               |
| FYE 2015     | CT                 | \$1.42                          | 6,755,000                               | 7,210,000                               | 7,867,500                               |
| FYE 2016     | CT                 | \$1.77                          | 1,681,250                               | 1,926,250                               | 2,623,750                               |
| FYE 2017     | CT                 | \$2.02                          | 5,172,500                               | 5,345,000                               | 5,625,000                               |
| FYE 2018     | CT                 | \$2.27                          | 1,242,150                               | 1,344,650                               | 1,555,773                               |
| FYE 2019     | CT                 | \$2.40                          | 1,182,500                               | 1,465,773                               | -                                       |
| FYE 2020     | CT                 | \$2.40                          | 62,500                                  | -                                       | -                                       |
| <b>Total</b> |                    | <b>\$0.71</b>                   | <b>39,654,623</b>                       | <b>41,154,823</b>                       | <b>43,050,373</b>                       |

Weighted average remaining contractual life of options outstanding at end of period

2.0 years

2.0 years

2.0 years

CT – Corporate Transaction and/or Liquidity Event (LE)

OT – Other Trigger than a CT or LE or CE

CE – Currently Exercisable

\*\*In 2019, Nuix settled a claim and formal proceedings brought by a former member of key management personnel on terms requested by him, in relation to options issued during the financial year ended 30 June 2009. Pursuant to that settlement, the Supreme Court of NSW made a declaration that 453,273 options granted over unissued shares of Nuix that the former employee holds are exercisable on the occurrence of a sale of Nuix's business in accordance with an options agreement between the parties. Nuix's options register records that the former employee holds 453,273 options, each over one share at an exercise price of \$2.00 per option and without an expiry date.

## Notes to the Consolidated Financial Statements (continued)

Notwithstanding the settlement in 2019, on 23 October 2020 the former employee commenced proceedings against NuiX in the Federal Court of Australia alleging that NuiX has acted in an unfairly prejudicial or unfairly discriminatory way against him and seeks orders to amend NuiX's options register. The substance of his claim is that, as a result of a share split of one existing share into 50 shares completed by NuiX in March 2017, his options should now represent an entitlement to call for 22,663,650 unissued shares on a sale of NuiX's business.

NuiX rejects the claim in its entirety and is defending those proceedings.

If the new claim were successful it would result in an additional 22,210,377 shares issuable in relation to equity-based compensation schemes. This would have the impact of reducing diluted earnings per share for the year ended 30 June 2020 to \$0.07 (2019: \$0.02; 2018: \$0.02).

### b. Fair value of Options granted

The assessed fair value at grant date of Options granted during the year ended 30 June 2020 was \$1.80 per Option (2019 – \$1.80; 2018 - \$2.00). The fair value at grant date is independently determined using an adjusted form of the Black Scholes Model that takes into account the exercise price, the term of the Option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the Option and the correlations and volatilities of the peer group companies.

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

The model inputs for Options granted during the year ended 30 June 2020 included:

- exercise price: \$2.40 (2019 – \$2.40; 2018 - \$2.00-\$2.40)
- grant date: generally tied to an employee's hire date
- expiry date: 7 years after grant date for Australian employees and 10 years after grant date for non-Australian employees (2019 and 2018 – same conditions as 2020)
- share price fair value: \$2.40 (2019 – \$1.80; 2018 - \$2.40)
- expected price volatility of the company's shares: 19.55% (2019 – 19.55%; 2018 – 19.45%)
- expected dividend yield: 0% (2019 – 0%; 2018 – 0%)
- risk-free interest rate: 1.65% (2019 – 1.65%; 2018 – 2.70%)

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

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

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

|                                 | 2020<br>\$     | 2019<br>\$     | 2018<br>\$       |
|---------------------------------|----------------|----------------|------------------|
| <b>Equity Compensation Cost</b> |                |                |                  |
| Sales and Marketing             | 451,980        | 98,853         | 770,504          |
| Research and Development        | 97,916         | 21,415         | 166,920          |
| General and Administration      | 135,110        | 29,550         | 230,327          |
|                                 | <b>685,006</b> | <b>149,818</b> | <b>1,167,751</b> |

## Notes to the Consolidated Financial Statements (continued)

## 25. CASH FLOW INFORMATION

|   | 2020<br>\$        | 2019<br>(RESTATED)<br>\$ | 2018<br>(RESTATED)<br>\$ |
|---|-------------------|--------------------------|--------------------------|
| <b>Reconciliation of Cash Flow from Operating Activities with Profit for the Year</b> |                   |                          |                          |
| Profit for the year (before income tax)   | 32,422,394        | 11,423,392               | 7,284,197                |
| <i>Non-cash flows in profit:</i>  |                   |                          |                          |
| Depreciation  | 5,048,321         | 4,991,867                | 2,221,279                |
| Amortisation of intangible assets   | 23,351,496        | 17,140,718               | 8,743,596                |
| Bad debts expense   | 1,708,639         | 1,168,022                | 493,061                  |
| Share based payment expense   | 685,006           | 149,818                  | 1,167,751                |
| Net exchange rate differences   | 746,061           | 86,708                   | 525,056                  |
| Fixed assets write-off  | 197,280           | 2,579                    | 4,746                    |
| <i>Changes in Assets and liabilities:</i>   |                   |                          |                          |
| Increase in trade and other receivables   | (16,404,907)      | (9,061,339)              | (5,034,505)              |
| Decrease / (Increase) in deferred tax asset   | 2,101,391         | 1,930,507                | -                        |
| (Increase) / Decrease in other current assets   | (383,687)         | 415,567                  | 125,861                  |
| Increase in trade and other payables  | 1,458,442         | 705,340                  | 4,372,039                |
| Increase in deferred revenue  | 8,308,410         | 5,541,968                | 1,129,166                |
| Increase / (Decrease) in employee benefits  | 2,902,854         | (8,334,317)              | 2,642,719                |
| Decrease in current tax liabilities   | (10,015,213)      | (212,394)                | (234,297)                |
| Increase in deferred tax liabilities  | 6,431,011         | (295,115)                | -                        |
| Decrease in other liability   | -                 | (507,463)                | 230,433                  |
| Increase in provision for make good   | 1,141             | 5,606                    | 3,304                    |
| <b>Balance as 30 June</b>   | <b>58,558,639</b> | <b>25,151,464</b>        | <b>23,674,406</b>        |

## Notes to the Consolidated Financial Statements (continued)

### 26. PARENT ENTITY FINANCIAL INFORMATION

|                            | 2020<br>\$         | 2019<br>(RESTATED)<br>\$ | 2018<br>(RESTATED)<br>\$ |
|----------------------------|--------------------|--------------------------|--------------------------|
| Current assets             | 43,521,378         | 36,495,445               | 33,213,562               |
| Non-current assets         | 197,306,471        | 188,078,316              | 84,557,882               |
| <b>Total assets</b>        | <b>240,827,849</b> | <b>224,573,761</b>       | <b>117,771,444</b>       |
| Current liabilities        | 44,276,670         | 27,275,742               | 20,372,350               |
| Non-current liabilities    | 10,641,712         | 31,935,046               | 26,835,925               |
| <b>Total liabilities</b>   | <b>54,918,382</b>  | <b>59,210,788</b>        | <b>47,208,275</b>        |
| <b>Net assets</b>          | <b>185,909,467</b> | <b>165,362,973</b>       | <b>70,563,170</b>        |
| <b>Equity</b>              |                    |                          |                          |
| Issued capital             | 104,227,205        | 104,227,205              | 17,809,218               |
| Retained earnings          | 82,327,356         | 62,465,868               | 54,233,870               |
| Reserves                   | (645,094)          | (1,330,100)              | (1,479,918)              |
| <b>Total equity</b>        | <b>185,909,467</b> | <b>165,362,973</b>       | <b>70,563,170</b>        |
| <b>Profit for the year</b> | <b>19,861,789</b>  | <b>11,415,612</b>        | <b>31,666,695</b>        |

#### Determining the parent entity financial information

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out in investment in subsidiaries, associates and joint venture entities (Note 1 (b)) and share-based payments (Note 1(o)).

### 27. EVENTS AFTER THE REPORTING DATE

On 29<sup>th</sup> September 2020, the Company held an Extraordinary General Meeting which passed the following resolution: (1) change the type of the Company from proprietary company to public company limited by shares; (2) change the name of the Company from Nuix Pty Ltd. to Nuix Limited; and (3) change the Company constitution due to these changes.

These changes are expected to take effect from 6<sup>th</sup> November 2020.

On 19<sup>th</sup> October 2020 a former contractor to the Company filed a general protections claim under the Fair Work Act 2009 in the Fair Work Commission against the Company. The claim and subsequent correspondence seeks compensation and pecuniary penalties. Damages in the jurisdiction are uncapped and legal fees in defending such matters can be significant. The Company rejects the foundation of the claim but continues to assess its position given that the claim is not yet fully particularised and accordingly it is not possible to reliably estimate the potential financial impact of the claim.

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 years.

## Director's Declaration

The Directors have determined that the Company is a reporting entity and that this general purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The Directors of the Company declare that:

- a. The financial statements and notes as set out on pages 16 to 67 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its performance for the financial year ended on that date, and
- b. At the date of this declaration, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1 confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

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

Daniel Phillips

Chairman

Sydney, Australia

30 October 2020



## *Auditor's Independence Declaration*

As lead auditor for the audit of Nuix Pty Limited for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Nuix Pty Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'S.Walsh', written in a cursive style.

Scott Walsh  
Partner  
PricewaterhouseCoopers

Sydney  
30 October 2020

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
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## *Independent auditor's report*

To the members of Nuix Pty Limited

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### *Our opinion*

In our opinion:

The accompanying financial report of Nuix Pty Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### *What we have audited*

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2020
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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### *Basis for opinion*

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

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

### *Independence*

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

---

### *Other information*

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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

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

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

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

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

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

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

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

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



PricewaterhouseCoopers



Scott Walsh  
Partner

Sydney  
30 October 2020

## Shareholder Information

The shareholder information set out below was applicable as at 30 June 2020.

### Distribution of equitable securities

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

|  | Number of holders | Number of shares   | % of issued capital |
|--|-------------------|--------------------|---------------------|
| 1 to 1,000                                   | -                 |                    |                     |
| 1,001 to 5,000                               | -                 |                    |                     |
| 5,001 to 10,000                              | -                 |                    |                     |
| 10,001 to 100,000                            | 2                 | 150,000            | 0.06%               |
| 100,001 and over                             | 27                | 265,250,633        | 99.94%              |
|  | <b>29</b>         | <b>265,400,633</b> | <b>100.00%</b>      |
| <b>Holding less than a marketable parcel</b> | -                 |                    |                     |

### Largest 20 shareholders

|              | Name                                       | Number of shares   | % of issued capital |
|--------------|--|--------------------|---------------------|
| 1            | Macquarie Corporate Holdings Pty Ltd       | 202,186,139        | 76.18%              |
| 2            | Cavill Armitage Services Pty Ltd           | 17,939,783         | 6.76%               |
| 3            | Blackall Limited                           | 13,345,750         | 5.03%               |
| 4            | Killorgan Investments Pty Ltd              | 7,653,350          | 2.88%               |
| 5            | Morgan Sheehy                              | 4,064,700          | 1.53%               |
| 6            | RPG Management Pty Ltd                     | 3,564,211          | 1.34%               |
| 7            | David Sitsky                               | 3,500,000          | 1.32%               |
| 8            | Ross Doyle                                 | 2,000,000          | 0.75%               |
| 9            | Stephen Stewart                            | 1,500,000          | 0.57%               |
| 10           | Philip Jaime Florence                      | 1,355,000          | 0.51%               |
| 11           | Daniel Noll                                | 1,300,000          | 0.49%               |
| 12           | Rob Feigenbaum                             | 750,000            | 0.28%               |
| 13           | James Kent                                 | 700,000            | 0.26%               |
| 14           | Eddie Sheehy                               | 681,700            | 0.26%               |
| 15           | Luke Quinane                               | 650,000            | 0.24%               |
| 16           | Alex Vasiliev                              | 600,000            | 0.23%               |
| 17           | Keith Player                               | 600,000            | 0.23%               |
| 18           | John Bargiel                               | 600,000            | 0.23%               |
| 19           | Jill Brown                                 | 400,000            | 0.15%               |
| 20           | Other current and ex-employee shareholders | 2,010,000          | 0.76%               |
| <b>TOTAL</b> |  | <b>265,400,633</b> | <b>100.00%</b>      |

### Unquoted equity securities

|                 | Number on issue | Number of holders |
|-----------------|-----------------|-------------------|
| Ordinary shares | 265,400,633     | 29                |

**Substantial shareholders**

Substantial holders in the Company are set out below:

|                                      | Number of ordinary shares held | Percentage of ordinary shares issued |
|--------------------------------------|--------------------------------|--------------------------------------|
| Macquarie Corporate Holdings Pty Ltd | 202,186,139                    | 76.18%                               |
| Cavill Armitage Services Pty Ltd     | 17,939,783                     | 6.76%                                |
| Blackall Limited                     | 13,345,750                     | 5.03%                                |

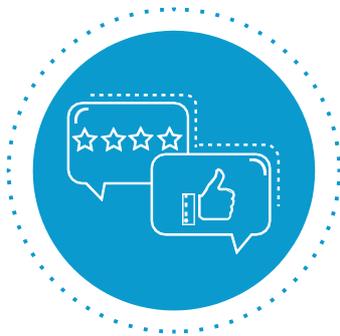
**Voting rights**

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

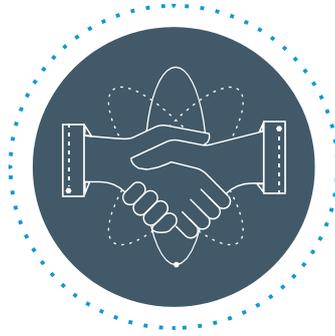
*Ordinary shares*

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

There are no other classes of equity securities.



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## nuix

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