nuix

NUIX LTD (NXL, ASX) // ANNUAL REPORT 2023

NUIX CREATES INNOVATIVE SOFTWARE THAT EMPOWERS ORGANISATIONS TO SIMPLY AND QUICKLY FIND THE TRUTH FROM DATA IN A DIGITAL WORLD.

NUIX IS A LEADING PROVIDER OF INVESTIGATIVE ANALYTICS AND INTELLIGENCE SOFTWARE, THAT EMPOWERS CUSTOMERS TO BE A FORCE FOR GOOD BY FINDING TRUTH IN THE DIGITAL WORLD.

Our customers rely on Nuix software to assist with challenges as diverse as criminal investigations, data privacy, eDiscovery, regulatory compliance and insider threats.

CONTENTS

NUIX IN NUMBERS

20+ YEARS OF EXPERIENCE

1,000+ FILE TYPES THAT CAN BE PROCESSED BY THE NUIX ENGINE

~1,000 CUSTOMERS

GLOBAL LEADERS IN GOVERNMENT AGENCIES, LAW FIRMS, CORPORATES AND ADVISORIES

100+ PARTNERS

WHO ENABLE OUR TECHNOLOGIES AND EXTEND OUR REACH

400+ EMPLOYEES

11 KEY LOCATIONS

WE OPERATE GLOBALLY WITH OUR EXPERTS ON THE GROUND ACROSS **NORTH AMERICA, EMEA AND ASIA PACIFIC**

- Sydney
- Canberra
- Singapore
- Tokyo
- Washington DC
- Philadelphia
- Pittsburgh
- Boston
- San Francisco
- London
- Frankfurt

OUR UNPARALLELED ENGINE FINDS THE TRUTH IN DATA

WE HELP CUSTOMERS COLLECT, PROCESS AND REVIEW MASSIVE AMOUNTS OF STRUCTURED AND UNSTRUCTURED DATA, MAKING IT SEARCHABLE AND ACTIONABLE AT SCALE AND SPEED, WITH FORENSIC ACCURACY

WE HELP OUR CUSTOMERS ...

- PROTECT PERSONAL DATA
- DETECT INSIDER THREATS
- ACHIEVE COMPLIANCE
- UNCOVER FRAUD
- MANAGE COMPLEX LEGAL CASES
- HUNT CYBER-THREATS
- CATCH CRIMINALS

2023 FINANCIAL HIGHLIGHTS

A SIGNIFICANT TRANSFORMATION IS UNDERWAY AT NUIX, IN TERMS OF OUR CUSTOMER OFFERING AND OUR BUSINESS APPROACH.

– Jonathan Rubinsztein
Group CEO

ANNUALISED CONTRACT VALUE (ACV)

$185.5m

UP 14.5% ON FY22

STATUTORY REVENUE

$182.5m

UP 19.8% ON FY22

STATUTORY EBITDA

$34.9m

UP 189.2% ON FY22

NET CASH

$29.6m

DOWN FROM $46.8M IN FY22

CUSTOMER CHURN

5.3%

DOWN FROM 5.4% IN FY22

NET DOLLAR RETENTION (NDR)

109.2%

UP FROM 96.8% IN FY22


LINKURIOUS
T3K.AI
T3K.AI
elastic
SERVICES
SOLUTIONS
SOLUTIONS
nuix

XLR8/23

nuix

Held in Sydney, London and Washington DC, our XLR8/23 conferences provided a valuable opportunity for us to reconnect post-pandemic with our valued customers and partners and showcase our solutions and innovation.

The events included speakers from the government, corporates and leading law firms and culminated with Awards dinners.

3
COUNTRIES

1,000
ATTENDEES

18
SPONSORS

VISION + VALUES

TO BE A FORCE FOR GOOD BY FINDING TRUTH IN THE DIGITAL WORLD

TAKE OWNERSHIP –
AND FOLLOW UP

RESILIENT –
WE LEARN FROM THE PAST AND ARE OPTIMISTIC
ABOUT TOMORROW

TRU

WE HAVE FIVE CORE VALUES THAT GUIDE US AT NUIX.

THEY'RE OUR TRUTH, AND THEY UNDERPIN EVERYTHING WE STAND FOR.

UNAFRAID – TO DO THE RIGHT THING, QUICKLY

TEAM NUIX – FIRST AND FOREMOST

HERO OUR CUSTOMERS – AND INNOVATE FOR THEM

CHAIRMAN'S LETTER

Nuix delivered momentum in critical financial metrics in FY23 along with important development milestones.

For more than two decades Nuix has been changing and adapting to a rapidly evolving landscape. From its small beginnings in Canberra, Australia, in the early 2000s, Nuix has become the global leader in making structured and unstructured data sets searchable. The company has expanded to having a global footprint, with around 85% of Annualised Contract Value (ACV) derived from jurisdictions outside Australia. Over time, Nuix has built up an extraordinarily loyal and diversified customer base, with almost 40% of customers by ACV having a tenure of more than 10 years.

And yet even in the context of Nuix's history of embracing development and adaptation, FY23 was a particularly pronounced year for change at Nuix. Across strategy, Board and leadership, research and development and sustainability, the Company made meaningful strides towards a broad range of goals.

Progress towards these goals was evident in the FY23 Financial Results.

Annualised Contract Value rose by 14.5% on the previous year, to $185.5 million and Statutory Revenue rose by 19.8% to $182.5 million. The increase in revenue and general cost containment led to a significant increase in EBITDA, up 189.2% to $34.9 million.

Net Dollar Retention (NDR), an important indicator of how much we are selling to existing customers, rose significantly to 109.2% compared to 96.8% in the prior period. Churn remained stable, at 5.3%, compared to 5.4% in the prior year.

STRATEGY ENDORSEMENT AND LOOKING TO THE FUTURE

With our senior leadership team now fully in place, the strategy refresh work being undertaken has developed further momentum, and has been the impetus for tangible financial and non-financial outcomes.

The team made good progress on near-term initiatives and enablers over the course of the year, putting in place more robust and sophisticated business practices, driving financial benefits in FY23 and providing the foundation for future growth.

The continued research and development investment the Company has made means that Nuix's unified platform, Nuix Neo, is ready for release in 1Q24, providing a fundamental shift in the way our customers utilise our offering. The planned rollout of specific use-case solutions in FY24 associated with Nuix Neo was made possible by work done during FY23.

We saw tangible evidence of the excitement that Nuix's development program has generated across the customer base through the series of XLR8 events in March and April of 2023. Held in Sydney, London and Washington DC, these events gave Nuix an opportunity to reconnect with customers and other important industry participants post-pandemic. It was a pleasure to be able to experience first-hand some of the excitement of the XLR8 events and also to have the opportunity to speak with many of our customers directly about their experiences and Nuix's growth path.

LITIGATION UPDATE

In September 2022, Nuix notified shareholders that ASIC had commenced civil proceedings in the Federal Court against Nuix and its then Directors during the period 18 January 2021 to 21 April 2021.

ASIC alleges that aspects of the Company's market disclosure in that period contravened provisions of the Corporations Act and ASIC Act and that the relevant Directors breached their duties in respect of that disclosure.

Nuix denies the allegations made against it and the allegations made against the Director respondents. Nuix has fully cooperated with ASIC during the course of its investigation. The case is scheduled to be heard in November 2023 and Nuix is defending the proceedings.

In February 2023, the Federal Court delivered its judgement in relation to the proceedings brought by a former CEO, Mr Edward Sheehy. Nuix successfully defended these proceedings, with the Federal Court dismissing Mr Sheehy's claims. In March, Mr Sheehy lodged a Notice of Appeal in respect to certain aspects of that decision.

Subsequent to the year end, in August 2023, Nuix resolved proceedings with Mr Sheehy on the basis that the appeal be dismissed, Mr Sheehy's share options in Nuix be cancelled, and that Mr Sheehy would make a contribution towards Nuix's legal costs associated with the proceedings. The resolution reached brings this matter to a close.

OUR PEOPLE AND THE COMMUNITY

Nuix's vision is to be a force for good by finding truth in the digital world. In line with being a force for good, it is important that Nuix continues to evolve as an organisation that grows in a responsible and sustainable way. This responsibility extends to areas including our environmental footprint, our governance and risk management, and our talented people.

ROBERT MACTIER

Across the organisation, we remain focused on minimising our environmental footprint. During the year we undertook work to measure our Scope 1 and 2 emissions for the first time, providing a FY22 baseline to measure our progress.

Using this FY22 baseline, we then extended our measurement into FY23. As a first step on our decarbonisation pathway, Nuix has fully offset all Scope 1 and 2 emissions for FY23. Initiatives to reduce our overall emissions levels are underway and we intend to continue to report on our progress.

Separately, we will continue to prioritise working with suppliers such as data centres that have strong environmental credentials.

Data privacy and security has rapidly become one of the most pressing issues facing organisations – and given the nature of its operations, this is a particularly important focus area for Nuix.

Nuix utilises sophisticated cyber security practices as part of its technology. In 2023 Nuix's Information Security Management program underwent a broad ranging security reassessment process as part of our commitment to the highest standards around data protection.

The Board remains committed to the highest standards of corporate governance and we recognise that this is important to all our stakeholders. The Board regularly reviews governance and risk management frameworks to ensure that they promote sustainable, ethical and socially responsible business practices.

The ability to deliver for our customers is underpinned by our highly talented team. During the year, every employee was invited to put forward ideas on how to refresh Nuix's values and culture, culminating in the development of our new values, called our TRUTH.

A critical factor in Nuix's success is our commitment to diversity, equity and inclusion. The Board is committed to increasing the diversity of employees in our workforce, and pursues this through initiatives including recruitment and onboarding practices, in addition to training and development opportunities. We recognise the importance of the health, wellbeing and development of our staff members, along with flexibility and learning and development opportunities.

BOARD EVOLUTION

During the year the Nuix Board took further steps in its evolution.

As part of Nuix's transition to the next chapter of its Board and management team, Dan Phillips, a Macquarie Group nominee, stepped down from the Nuix Board in August 2022, further facilitating the build out of an independent Board.

In January 2023, we welcomed Alan Cameron AO and Sara Watts to the Board.

Alan is a respected company Director and lawyer, with experience across a broad range of legal, corporate and regulatory roles. On his commencement with the Board, Alan joined the Remuneration and Nominations Committee.

Sara is an experienced Non-Executive Director and Audit and Risk Committee Chair with significant financial and operational acumen, bringing an international perspective and technology transformation experience. On joining the Board, Sara assumed the Chair of Nuix's Audit and Risk Committee.

The appointments of Alan and Sara are important steps in continuing to strengthen the diversity of skills and experience across the Nuix Board.

At last year's Annual General Meeting, Jeff Bleich announced that he would rotate out of the Chairman role, while continuing to serve on the Board as Deputy Chairman and a Non-Executive Director. I thank Jeff for his unstinting devotion to the leadership of the Nuix Board during the period since IPO and also for his continuing and valued contribution as Deputy Chair. Jeff's perspective and on-ground presence in our largest market, the USA, is of great benefit to Nuix.

In February 2023, I was elected Chairman of the Nuix Board. When I joined the Board in October 2021 I had a belief that underneath all the noise there was an exciting world leading technology, an amazing customer set and a very talented band of Nuix team members that would deliver value for our shareholders. My conviction in these attributes of Nuix is undiminished. As I've had a chance to settle into the role, it's been a privilege to become more involved with a range of Nuix's stakeholder groups, including investors and our talented people. I look forward to playing an active role as Nuix continues on its evolution pathway.

On behalf of the Board, I would like to thank all Nuix team members for their hard work and resilience this year. Our people are critical in delivering on our vision and objectives. The hard work of our people has been reflected in the momentum in our financial results and development progress.

I also extend my thanks to our loyal customer base and shareholders for your continued support, as well as my fellow Board members.

Our commitment to Nuix's strategic vision and the success of our Company is unwavering. We look forward to continuing the momentum and delivering for our stakeholders.

Robert Mactier
Non-Executive Chairman

CEO'S REVIEW

Our people have risen to the challenge, delivering very significant projects while at the same time also driving a material step change in our financial results.

FY23 was a year of change and growth. Important advancements were made on the three horizon strategy that we articulated for the business in the prior year, resulting in momentum in key metrics across the business. As part of our approach, we continued to focus on driving a strengthened corporate culture across our organisation, with meaningful impacts for all our stakeholders, and in particular, our people.

LIVING OUR TRUTH

At the beginning of the year, we revisited the idea of what kind of organisation we want Nuix to be. This dialogue culminated in the development of our corporate values, which collectively became our TRUTH . These values have helped to define and shape us over the course of the year and have become an important part of the Nuix identity. These values are in the process of being embedded into all our people practices.

Feedback and dialogue across our business is critical in strengthening our corporate culture. As part of driving change, we looked at ways to improve two-way communication, resulting in new communication channels, engagement surveys and staff forums. The ongoing feedback we receive through these initiatives is incredibly valuable in helping to mould our organisation.

We are already shaping and transforming our Nuix culture together. This work will continue into the coming years. I am excited about the initiatives proposed by our People and Culture team for FY24 and beyond.

BUSINESS PERFORMANCE

Annualised Contract Value (ACV) at 30 June 2023 was $185.5 million, up 14.5% on the same time a year earlier. ACV growth was underpinned by stronger net upsell to existing customers, driven by strategic initiatives implemented during the year. ACV growth was also driven by New Business, with ACV from new customers rising to $6.5 million in FY23, up from $5.4 million in the prior year. All three operating regions, namely North America, EMEA and Asia Pacific, recorded double digit ACV growth.

Subscription ACV, which is an important indicator of the recurring proportion of our ACV, rose 14.4% on the previous corresponding period, representing 92% of Total ACV. Other ACV, which is not included in Subscription ACV, also rose because of stronger sales of Perpetual licences to US Government.

As we've highlighted previously, Nuix's Statutory Revenue can be variable due to the accounting treatment of multi-year deals. Revenue rose by 19.8% on the prior year, to $182.5 million. It is worth noting that this strong uplift in revenue occurred despite the moderation of

JONATHAN RUBINSZTEIN

multi-year deals, from 40% in the prior year, to 30% this year. A falling multi-year deal experience is a headwind in a Statutory Revenue framework, and importantly this year's outcome was achieved despite this headwind. Subscription Revenue, the generally recurring component of our revenue stream, was 94% of total revenue.

Nuix's Net Dollar Retention (NDR) is an important metric because it provides an indicator of how much we're selling to our existing customer base. The NDR outcome for FY23, at 109.2%, was a marked improvement from the same time 12 months earlier. Importantly, this was achieved while churn remained stable, at 5.3% for the full year.

During the year we maintained our commitment to Research and Development, with total investment up slightly on the prior year, to $60.0 million. FY23 was an important year for the development of Nuix Neo and related solutions, which is reflected in our overall spend.

EBITDA rose by 189.2%, to $34.9 million, on both revenue growth and general cost containment.

In terms of free cash flow, we articulated an aim to be Underlying Cash Flow Neutral for the year; that is, cash flow neutral excluding costs associated with the Topos acquisition and non-operational legal costs. Given the particular strength we saw come through in the second half, we were able to exceed this target, with a positive underlying free cash flow of $9.1 million, compared to -$2.5 million in the prior year.

STRATEGIC REFRESH DRIVING FINANCIAL RESULTS

The strategic refresh agenda that we initiated to drive growth was built upon a greater focus on customer centricity and structured around three horizons. I'm pleased to report that very significant progress was made on projects across all three horizons during FY23.

As a quick reminder, Horizon 1 was the near-term focus, providing momentum to restart growth and to provide a solid foundation for our medium- and long-term growth strategies. We made a strategic decision to focus heavily on renewals and our installed customer base over the course of the year resulting in significant improvements in our financial metrics.

By the end of the financial year we had achieved our near-term goals in relation to the new price book, improved renewal process, organisational restructure and the build out of the marketing function. In addition, we were close to completion on our projects involving sales enablement optimisation and performance and reward alignment.

Further, we made important progress on putting the right structural elements in place to support our strategic initiatives. We reworked performance and reward alignment across the organisation and advanced our Licence Modernisation project, which is simplifying and modernising our licencing framework, to incorporate solution and data velocity in conjunction with our Nuix Neo offerings.

Our Engineering team continued to refine its project prioritisation, while the Fit for Growth program further embedded operational efficiency discipline, yielding tangible cost optimisation and a pivot of spend towards areas of growth.

An enormous amount of work took place over the last year to deliver on these Horizon 1 initiatives, the outcomes of which are evident in Nuix's financial results. Importantly, these initiatives now provide us with the foundation for further growth.

Separately, Horizon 2 was focused on building out our unified platform, which culminated in the development and launch of Nuix Neo as a commercial, go to market, and technology pivot for platform solutions. Nuix Neo rollout will occur in FY24.

Horizon 3 incorporated high value repeatable use cases, and new ways to use our technologies. This was captured through the Nuix Neo solution roadmap, beginning with our Data Privacy solution, which was launched in July 2023.

Nuix Neo and the associated solutions are the result of an enormous amount of work by the Nuix Team over the year. Nuix Neo and use case solutions are a material step change in our customer offering and will provide a key foundation for growth in coming years.

THE NUIX TEAM

I'm very proud of what the Nuix Team achieved during the year. A significant transformation is underway at Nuix, in terms of our customer offering and our business approach. Our people have risen to the challenge, delivering very significant projects while at the same time also driving a material step change in our financial results. I thank the Nuix team for your enormous contribution over the year and look forward to continuing on the journey together.

I also take this opportunity to thank our customers, partners and shareholders. We value our relationships with you and look forward to growing and evolving our partnership with you.

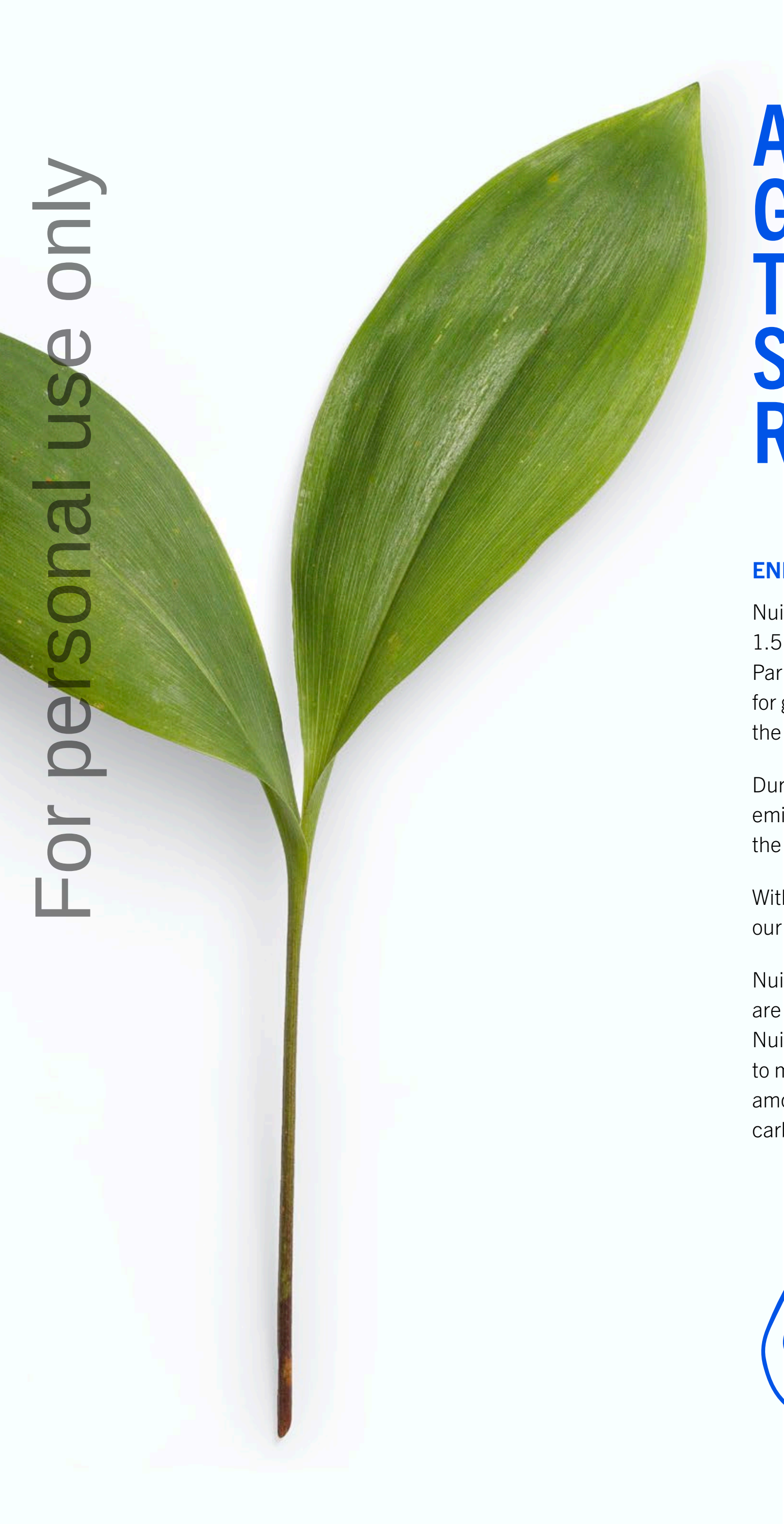
Jonathan Rubinsztein
Group Chief Executive Officer

SUSTAINABILITY REPORT

COMMITTED TO

OUR PLANET
OUR PEOPLE
OUR PRINCIPLES

ENVIRONMENTAL RESPONSIBILITY



AS A FORCE FOR GOOD, NUIX IS TRACKING AND SEEKING WAYS TO REDUCE EMISSIONS.

ENERGY CONSUMPTION AND EMISSIONS

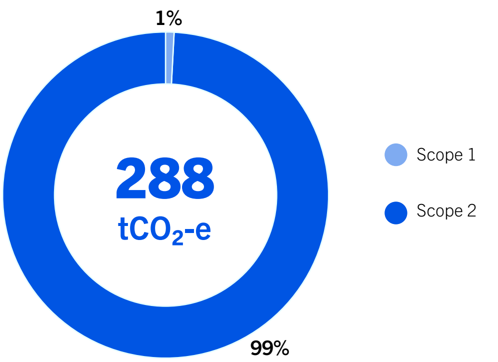
Nuix acknowledges the goal to limit global warming to below 1.5 degrees Celsius above pre-industrial levels in accordance with the Paris Agreement targets. In keeping with Nuix's vision of being a force for good, we have taken the first steps in understanding our impact on the climate, and our role in reducing this impact.

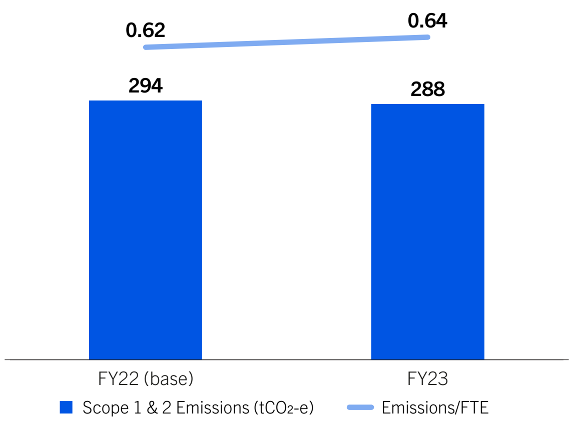
During the year, we completed work to measure our Scope 1 and 2 emissions baseline for FY22 of 294 tonnes of CO_2-e in accordance with the Greenhouse Gas Protocol.

With the FY22 baseline in place, we then completed work to measure our FY23 Scope 1 and 2 emissions inventory.

Nuix's carbon emissions and associated environmental footprint are largely attributable to the leased buildings we occupy. While Nuix's operations are not highly carbon intensive, we are committed to monitoring and reducing environmental impacts to the lowest amount possible, and offsetting remaining amounts to maintain carbon neutrality.

INITIATIVES TO REDUCE OUR EMISSIONS ARE UNDERWAY





Nuix's Scope 1 and 2 emissions for FY23 were 288 tonnes of CO_2-e, a fall of 2% on our FY22 base. This relatively flat outcome was mostly attributable to a slightly larger office footprint and increased energy usage as employees returned to offices after the pandemic, but offset by better energy efficiency at our Sydney location in particular. Average emissions intensity per employee rose marginally due to staffing movements over the course of the year.

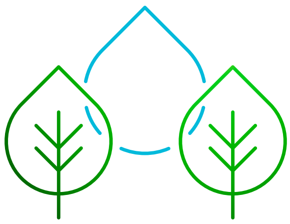
For Nuix, Scope 1 emissions are related to refrigerants, while Scope 2 emissions are mostly due to electricity consumption at our office locations.

As our main direct use of energy is from our office locations, Nuix actively seeks out energy efficient buildings. Nuix's Sydney Headquarters is based in an office with a 5.0-star NABERS rating for both energy and water.

As a first step on our decarbonsation pathway, Nuix has fully offset all Scope 1 and 2 emissions for FY23. We are committed to taking real action to reduce our emissions. Nuix commenced a process during the year to identify specific actions and pathways that we can take to abate our emissions, including transitioning offices to renewable energy and giving further consideration to the efficiency of our office locations. Initiatives to reduce our overall emissions level are underway and we intend to continue to report on our progress.

We recognise that our climate impact goes beyond our direct emissions and extends upstream and downstream in our value chain. As such, to provide a more holistic view of our impact, and broaden our climate action, we are committed to looking beyond our Scope 1 and 2 emissions strategy by, in the first instance, expanding our emissions inventory to reflect Scope 3 emissions. From here, we plan to identify a net zero target and decarbonisation pathway that eliminates Nuix's emissions across all scopes, where possible.

ENVIRONMENTAL RESPONSIBILITY



100% OF SCOPE 1 AND 2 EMISSIONS OFFSET

OFFSETTING OUR EMISSIONS

As a first step on our decarbonisation pathway, Nuix has fully offset all Scope 1 and 2 emissions for FY23. We have purchased offsets associated with regeneration and reforestation projects in Costa Rica and Australia involved specifically in carbon sequestration.

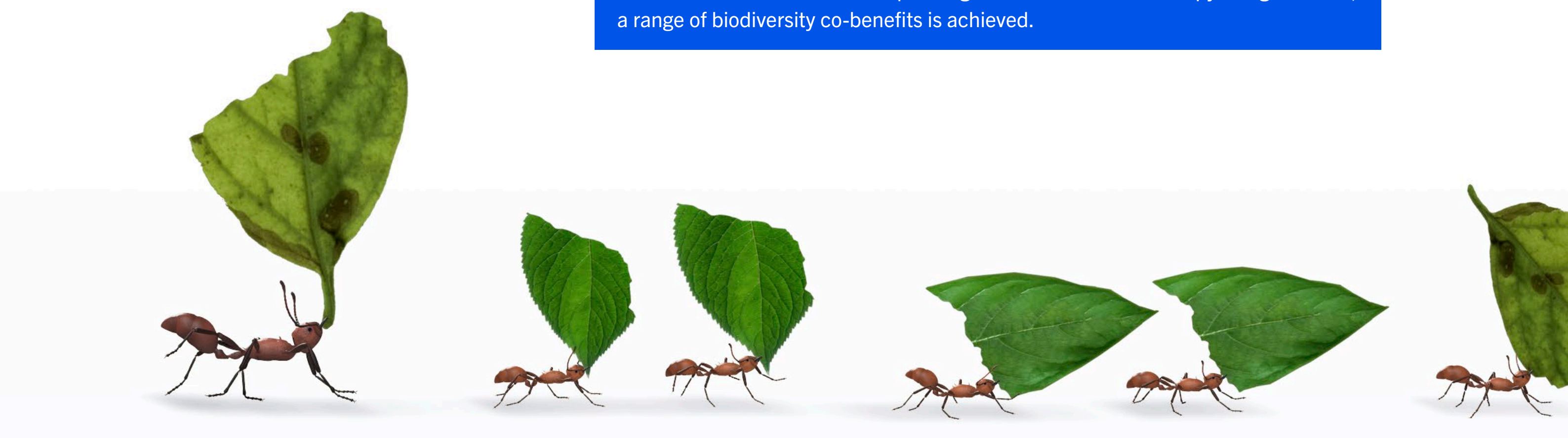
The reforestation project of BaumInvest in Costa Rica combines premium quality standards of a recognised forest carbon offset project with multiple ecological and socio-economic benefits for local communities and the environment.

Since the start of the project in 2007, an area of 2,115ha of pastureland, previously used for extensive cattle ranching, has been under sustainable management. 1,280ha has been successively reforested in near natural mixed forest plantations with mainly native tree species. In total, more than one million trees have been planted using a variety of 17 different tree species.

By constantly monitoring biodiversity, this project has discovered that 70 new species of amphibians and reptiles have resettled on its land. The project provides secure, long-term employment in a rural and underdeveloped area of northern Costa Rica.

Located in the Great Southern region of Western Australia, the Environmental Planting and Reforestation Project was designed to be planted in narrow belts and small blocks expressly for the purpose of carbon abatement.

Reforestation has occurred primarily on light sandy patches of land or along denuded stream banks. As the plantings mature and forest canopy is regenerated, a range of biodiversity co-benefits is achieved.



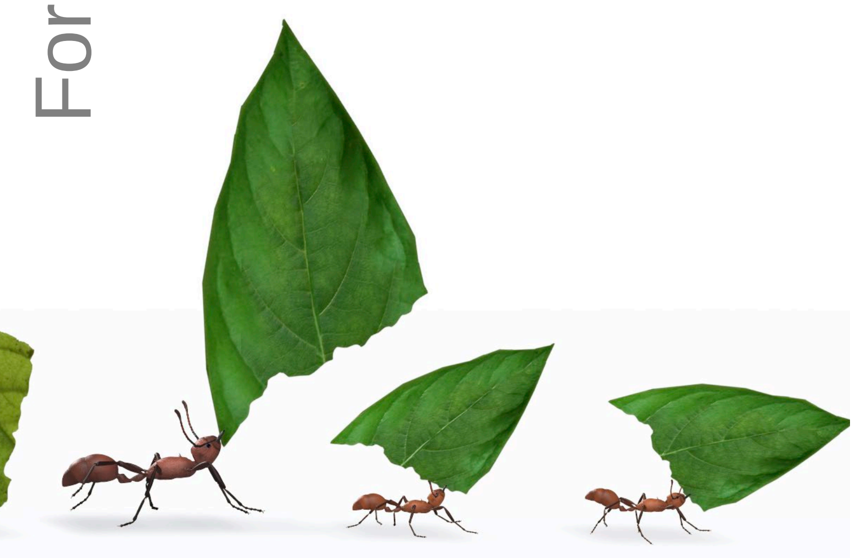
SUSTAINABILITY REPORT

DATA CENTRES

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

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

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



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

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

E-WASTE – HARDWARE RECYCLING

Nuix recycles all unwanted or used computer equipment, avoiding this equipment contributing to landfill. Nuix has also commenced initial work on a program to repurpose old laptops for reuse and resale after the secure deletion of data.

1. Sustainability in the Cloud – Amazon Sustainability (aboutamazon.com).
2. https://www.qtsdatacenters.com/why-qts/corporate-sustainability.

DATA SECURITY AND PRIVACY

NUIX UTILISES SOPHISTICATED CYBER SECURITY PRACTICES

Cybersecurity and data privacy are of critical importance to Nuix's stakeholders and the success of our business.

The proliferation of SaaS (Software-as-a-Service) solutions and remote work has presented new challenges, but Nuix has responded by investing heavily in both cybersecurity and data privacy programs.

SUSTAINABILITY REPORT

PROTECTING CUSTOMER DATA

Nuix utilises sophisticated cyber security practices as part of its technology. Along with implementing security through the design of our products, Nuix staff are trained to understand and protect customer data and digital assets.

In 2023, Nuix's Information Security Management program underwent a security assurance reassessment process which included: Infosec Registered Assessors Program (IRAP) PROTECTED level, ISO/IEC 27001:2013, ISO/IEC 27017, ISO/IEC 27018, and Australian Prudential Regulation Authority (APRA) CPS234 for Information Security.

Nuix utilises multiple availability zones in AWS for our Software-as-a-Service (SaaS) applications to support data sovereignty and resiliency, including in Canada, Germany, Australia, the United Kingdom and the United States.

Nuix has also added NDG (Nuix Discover for Government), a web-based e-discovery document platform designed and implemented as a secure Software-as-a-Service (SaaS) application. NDG is a cloud solution that scales to support simultaneous, concurrent processing, loading, analysis, review, and production operations primarily intended for highly sensitive uses, such as in criminal justice. NDG has been assessed by the US Federal Risk and Authorization Management Program (FedRAMP) and has achieved FedRAMP Ready designation at the High level.

Nuix understands that our global customer base operates within a zero-trust security model; completing these security assessments shows our customers and stakeholders they can rely on us to protect their most sensitive data.

PLATFORM VULNERABILITY MANAGEMENT

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

CONTINUOUS MONITORING

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

PROTECTING OUR CORPORATE NETWORK

Like the SaaS solution, Nuix's Corporate Network utilises a robust set of controls to protect and defend the Company's assets. Corporate infrastructure is regularly tested and verified by independent technology partners in collaboration with Nuix team.

Nuix recognises that this is a dynamic environment and works with industry leading third-party cyber security organisations to review and implement new processes and technology to continuously strengthen its cyber security posture.

OUR PEOPLE

DURING THE YEAR, WE GAVE EVERY EMPLOYEE THE OPPORTUNITY TO PUT FORWARD THEIR IDEAS ON HOW TO REFRESH OUR VALUES AND CULTURE.

ATTRACTING AND LEADING A GLOBAL, DIVERSE AND SKILLED WORKFORCE

Nuix is a global leader in investigative analytics with offices in North America, Asia Pacific and Europe. We strive to attract talented employees who aim for excellence and contribute to making the world a better place through software that helps our customers be a force for good, by finding truth in the digital world.

We understand that our ability to deliver on this promise to our customers is underpinned by a world class culture and highly engaged talent that deliver great outcomes.

At 30 June 2023, Nuix's total headcount was 440, with team members located across North America, EMEA and Asia Pacific. In addition, Nuix works with a small number of individuals that are engaged through labour hire firms or contractors.

OUR STAFF FOOTPRINT

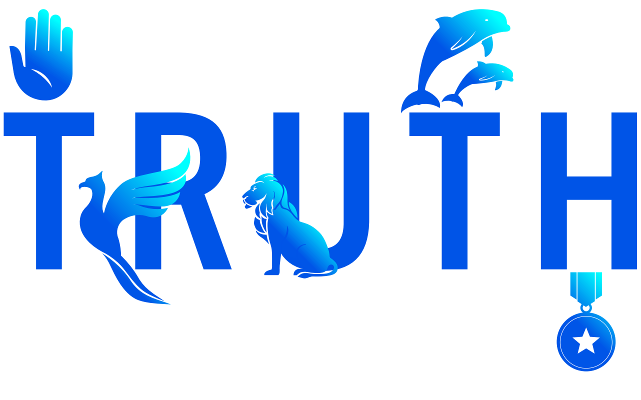
55% AMERICAS	32% APAC	13% EMEA
45% RESEARCH & DEVELOPMENT	36% SALES & DISTRIBUTION	19% GENERAL & ADMINISTRATION

GUIDED AND INSPIRED BY OUR VALUES

To attract global talent we are building a world class culture. During the year, we gave every employee the opportunity to put forward their ideas on how to refresh our values and culture. This feedback culminated in the development of our new values, called our TRUTH. Through this collaborative and employee-centric process, we established that our culture would be underpinned by the following values:

OUR VALUES

Aligning with our core values and expected behaviours.



TAKE OWNERSHIP – AND FOLLOW UP

RESILIENT – WE LEARN FROM THE PAST AND ARE OPTIMISTIC ABOUT TOMORROW

UNAFRAID – TO DO THE RIGHT THING, QUICKLY

TEAM NUIX – FIRST AND FOREMOST

HERO OUR CUSTOMERS – AND INNOVATE FOR THEM

SUSTAINABILITY REPORT

IN FY24, WE WILL EMBED OUR VALUES INTO ALL OUR PEOPLE PROGRAMS AND PRACTICES.

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

Nuix's Anti-Corruption and Anti-Bribery Policy outlines the Company's zero-tolerance approach to bribery and corruption, as well as implementing and enforcing effective systems to counter such actions. The Policy also reinforces Nuix's commitment to acting professionally, fairly and with integrity in business dealings and relationships.

VALUING DIVERSITY

Our people are our greatest asset and our ability to deliver on our purpose and business objectives is enabled through the culture we are building and a commitment to our values. At Nuix, we seek to create a supportive and inclusive workplace that fosters high engagement and satisfaction and encourages everyone to be the best they can be. We believe that the wide array of perspectives that comes from diversity sparks innovation and creativity that delivers great business outcomes. Fostering this diversity makes us more agile, flexible and productive.

A factor in Nuix's success is our commitment to Diversity, Equity and Inclusion (DEI). This commitment is reflected in the talent Nuix employs, communities in which it operates and the customers it serves. The Board is committed to increasing the diversity of employees and aims to achieve a continued increase in diversity through the Company's recruitment and onboarding practices in addition to training and development opportunities. Our workforce is made up of individuals with diverse skills, values, experiences, backgrounds and attributes, which strengthens our organisation. We value the diversity of our workforce and are committed to further increasing the diversity of our employee base over time.

DIVERSITY INITIATIVES

As at 30 June 2023, females represented 28% of Nuix's workforce. Nuix is committed to improving diversity, and utilises various talent acquisition strategies to reach a broad range of talented people who can contribute to our success.

In accordance with our Diversity Policy, all recruiting initiatives aim for a diverse pool of qualified candidates using various advertising strategies. Importantly, the recruitment and selection processes are designed to reduce conscious and unconscious biases that might influence unfair treatment. Our focus on merit and fairness is embedded in our people practices where decisions surrounding development, promotion, remuneration and flexible work arrangements are made in accordance with our Diversity Policy.

Our people have a responsibility to foster and promote Nuix's diversity and inclusion culture every day. Our policy is clear that workplace discrimination, harassment, vilification and victimisation are not tolerated.

WELLBEING

Nuix's wellbeing program enables our staff to take time to focus on health, wellbeing and development. The program includes an online information portal, enabling our people to access a range of health and wellbeing resources and activities, fitness initiatives and specific interests.

FLEXIBILITY

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

LEARNING AND DEVELOPMENT

Nuix is committed to professional development. Our Learning and Development (L&D) team has developed a series of onboarding and professional development courses that are offered through the Nuix Academy, our dedicated Learning Management System. Through the Nuix Academy, staff can undertake compliance and governance training, as well as product, sales and soft skills courses like leadership, time management, sales acumen and other self-guided learning.

Nuix team members have the opportunity to access the training that Nuix provides our customers to receive Nuix accreditations and become Nuix Masters.

GOVERNANCE + RISK MANAGEMENT

GOVERNANCE APPROACH

The Board takes responsibility for the overall strategy, culture and risk management of the Company. The Board provides leadership, strategic guidance and oversight for the Executive Leadership Team and the Group as a whole, to promote behaviours in keeping with our Values and to support the Group's long-term sustainable growth and profitability.

The Board works collaboratively with the Executive Leadership Team to set the strategy, risk appetite, compliance systems and risk management framework for the Group. We also satisfy ourselves on a regular basis that these are being implemented and that we are reporting in an accurate and timely manner.

The Board is committed to the highest standards of corporate governance. We recognise that this is important to all of our stakeholders, and particularly to those regulators who are our customers. The Board regularly reviews our governance and risk management frameworks to ensure that they promote sustainable, ethical and socially responsible business practices.

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

INTELLECTUAL PROPERTY REGULATION

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

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

FIT FOR PURPOSE AND EFFECTIVE RISK MANAGEMENT

OVERVIEW

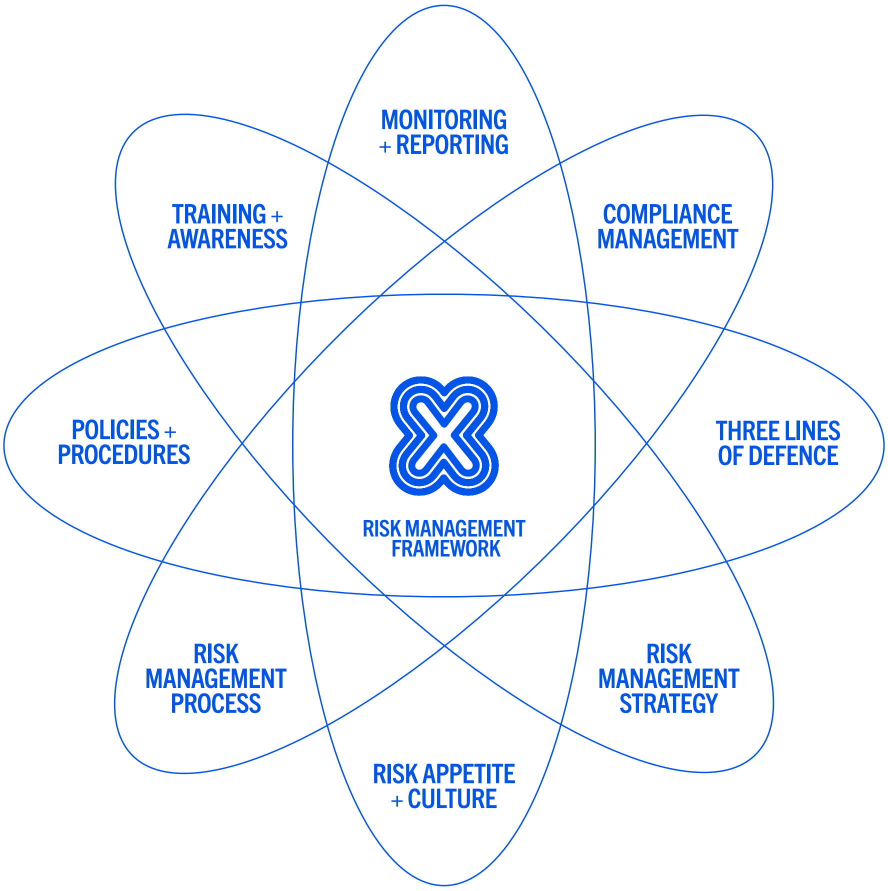
Risk recognition and management are integral to Nuix's objectives of creating and maintaining shareholder value, and to the successful execution of the Company's strategies. Good risk management seeks to enable the pursuit of opportunities while managing risks and achieving compliance with applicable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

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

RISK MANAGEMENT FRAMEWORK

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

Nuix's RMF represents the mechanisms through which we deliver reliable products and service to our customers and retain the trust of key stakeholders. We do this by maximising opportunities to achieve our objectives and goals without exposing the organisation to unnecessary risk.



RISK GOVERNANCE

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

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

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

PRINCIPAL RISKS

Nuix's primary focus is on the identification and management of principal risks which could impact current or future business performance. The Board and Leadership Team have invested time to consider our changing circumstances and update the risk profile as part of our annual risk review. Details of these risks and associated mitigation strategies are set out in the Directors' Report. Details on Financial Risks can be found in the Financial Report. In relation to Contingencies (ASIC investigation and Class Action Risk), detail is provided in the Financial Report.

BOARD OF DIRECTORS

Robert Mactier

Non-Executive Chairman

Robert has been a Non-Executive Director of Nuix since October 2021 and was appointed Chairman in February 2023.

Robert is a Consultant to the Advisory and Capital Markets division of UBS Australia (since June 2007). Robert is also a Non-Executive Director of Kinetic IT Pty Limited and was formerly a Non-Executive Director and Chairman of ASX-listed ALE Property Group (ASX:LEP) from 2016 to 2021 and WPP AUNZ Limited (ASX:WPP) from 2006 to 2021, as well as Non-Executive Director of NASDAQ-listed Melco Resorts and Entertainment Limited.

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

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

Jonathan Rubinsztein

Executive Director and Group Chief Executive Officer

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

Jonathan is a Non-Executive Director at Atturra (ASX:ATA) since November 2021, and previously was the Managing Director and CEO of Infomedia, Ltd, (ASX:IFM) an ASX-listed SaaS company, from March 2016 to October 2021.

Prior to that role, Jonathan was CEO and founding shareholder at UXC Red Rock Consulting, where he was instrumental in growing the business from a start-up to over 700 people across 13 offices in Australia, New Zealand, India, and Singapore. Jonathan was also a Founder and Director of RockSolid SQL, a company that built monitoring and automated data management software for over 18,000 databases globally.

Jonathan holds a Bachelor of Commerce from the University of Cape Town and a Postgraduate degree in Finance from Software & Information Industry Association. He also holds a Master of Business Administration from University of New South Wales and a Diploma from the Australian Institute of Company Directors.

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Jeffrey Bleich

Non-Executive Director and Deputy Chairman

Jeffrey has been a Non-Executive Director of Nuix since 2017 and was appointed as Deputy Chairman in February 2023, after stepping down from the role of Chairman. Jeffrey lives in Piedmont, California, USA.

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

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

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

Alan Cameron AO

Non-Executive Director

Alan joined the Nuix Board in January 2023.

Alan is a respected company director and lawyer, with experience across a range of legal, corporate and regulatory roles.

Alan was Chairman of Property Exchange Australia Limited (PEXA) from its inception until shortly before it listed in June 2021, and completed his extended term as Chair of the NSW Law Reform Commission in May 2022. A former partner of the firm now called Ashurst Australia, he was Commonwealth Ombudsman and later Chair of the Australian Securities Commission (ASC) and Australian Securities and Investments Commission (ASIC).

Alan is currently Chair of .au Domain Administration Limited and the Legal Services Council. Alan graduated in Arts (BA) and Law (LLM) from the University of Sydney.

Jacqueline Korhonen

Non-Executive Director

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

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

Jacqueline was a Non-Executive Director of NetComm Wireless (ASX:NTC) from July 2018 until August 2019. Jacqueline is currently a Non-Executive Director of MLC Insurance, Auswide Bank (ASX:ABA) since April 2021 and .au Domain Administration. In addition, Jacqueline is a member of the Board of Chief Executive Women.

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

Sir Iain Lobban

Non-Executive Director

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

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

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

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

Sue Thomas

Non-Executive Director

Sue has been a Non-Executive Director of the Company since November 2020.

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

Sue was a Non-Executive Director of Temple and Webster Group Limited (ASX:TPW) from February 2016 to November 2022, and is currently a Non-Executive Director of Cash Converters Limited (ASX:CCV) since April 2022, Maggie Beer Holdings Limited (ASX:MBH) since July 2022 and Fitzroy River Holdings Limited (ASX:FZR) since 2012. Sue was formerly a Director of Property Exchange Australia Limited.

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

Sara Watts

Non-Executive Director

Sara joined the Nuix Board in January 2023.

Sara Watts is a Non-Executive Director and Audit Committee Chair with experience across a range of sectors. In addition to Nuix, Sara currently serves on the boards of Syrah Resources (ASX:SYR) since June 2019, Trajan Scientific and Medical (ASX:TRJ) since March 2021, Uniting NSW. ACT and the Sydney Opera House Trust.

Before moving into her non-executive career Sara was CFO of IBM Australia/New Zealand and Vice-Principal Operations at the University of Sydney. These roles gave her a solid grounding in finance, risk, technology, and international operations. She is a Fellow of the Australian Institute of Company Directors, and a Fellow of CPA Australia.

DIRECTORS' REMUNERATION AND FINANCIAL REPORTS

FOR THE YEAR ENDED 30 JUNE 2023

ABN 80 117 140 235

ACN 117 140 235

ASX CODE: NXL

CONTENTS

DIRECTORS' REPORT

The Directors of Nuix Limited (**Nuix**) present their report for the consolidated entity comprising Nuix and its controlled entities (collectively referred to as the **Group**) in respect of the financial year ended 30 June 2023.

1. DIRECTORS

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

• Robert Mactier	Chair and Non-Executive Director
• Jeffrey Bleich	Deputy Chair and Non-Executive Director
• Jonathan Rubinsztein	CEO and Executive Director
• Sir Iain Lobban	Non-Executive Director
• Susan Thomas	Non-Executive Director
• Jacqueline Korhonen	Non-Executive Director
• Alan Cameron	Non-Executive Director, appointed 3 January 2023
• Sara Watts	Non-Executive Director, appointed 3 January 2023
• Daniel Phillips	Non-Executive Director, resigned 31 August 2022

2. OPERATING AND FINANCIAL REVIEW

The Operating and financial review for the year ended 30 June 2023 has been designed to provide shareholders with a clear and concise overview of the Group's operations, financial position, business strategies and prospects. The review also discusses the impact of key transactions and events that have taken place during the reporting period, to allow shareholders to make an informed assessment of the results.

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

Non-IFRS measures have been included, in particular Annualised Contract Value (ACV), as Nuix believes they provide information for readers to assist in understanding the company's financial performance. Non-IFRS financial measures should not be viewed in isolation or considered as substitutes for measures reported in accordance with Australian equivalents to International Financial Reporting Standards, see definition of Non-IFRS measures in section 2.4 of the Directors' Report.

2.1 Principal activities

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

Nuix offers a software platform (Nuix platform) comprising a powerful proprietary data processing engine (Nuix Engine) and several software applications. It has been developed in-house, shaped by feedback from long-standing government and private sector customers, and assists customers in solving complex data challenges. The Nuix platform operates at a "forensic level", providing users with a highly detailed, contextualised and legally defensible way of viewing and interacting with data.

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

2.2 Significant changes in state of affairs

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

2.3 Business strategies

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

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

Horizon 1 initiatives were implemented to drive near term business momentum and provide Nuix with a solid foundation for future growth. By the end of the financial year, almost all key Horizon 1 initiatives were at or near completion.

Nuix achieved near term goals in relation to a new price book, improved renewal processes, an organisational restructure and the build out of the marketing function. In addition, Nuix was close to completion on initiatives relating to sales enablement optimisation and performance and reward alignment.

The Company is investing in its service offerings, which will provide an opportunity to embed and refine upgraded service offerings as part of a standardised process, and will be an important part of the Nuix Neo rollout.

These Horizon 1 initiatives are intended to not only drive near term revenue, profitability and operational efficiencies, but to also provide the foundations for longer term growth across Horizons 2 and 3.

Nuix's critical Horizon 2 project is the development of the Nuix Neo unified platform. Important work was undertaken in FY23 on the development of the platform in preparation for launch in early FY24.

Work also continued on specific use case solutions – the Horizon 3 objective – underpinned by Nuix Neo. These use case solutions provide an easy to use, templatised, repeatable approach to specific customer needs. The first use case solution, Data Privacy, was developed during FY23 for launch in early FY24.

2.4 Group performance

Statutory revenue for the year was $182,465,000, up 19.8% on the prior corresponding period. Statutory revenue displays a greater degree of variability than Annualised Contract Value (ACV) due to the accounting impacts of multi-year deals. The rise in statutory revenue was despite a moderation of the proportion of multi-year deals to 30%, from 40% in FY22.

Traditional module-style licences continue to drive the bulk of statutory revenue, with revenue from subscription licences substantially increasing in FY23 compared to prior period.

Non-operational legal costs of $7,816,000 were lower during the year compared to the prior year amount of $13,796,000. This impact, along with stronger revenue growth and general cost containment meant statutory EBITDA was materially higher than the prior corresponding period, up 189.2% to $34,891,000.

Nuix maintained elevated levels of research and development spend during the year, with total spend flat year on year. Important progress was made on critical projects including the development of Nuix Neo. As a proportion of revenue, research and development spend fell to 33%, compared to 38% in FY22.

The Group reported a Net Loss After Tax of $5,589,000 for the financial year, compared to a Net Loss After Tax of $22,791,000 in the prior corresponding period.

Annualised Contract Value (ACV)[1]

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

Annualised Contract Value (ACV) at 30 June 2023 was $185,500,000, up 14.5% compared to 30 June 2022, driven by stronger net upsell to existing customers, continued low churn and foreign exchange tailwinds.

Subscription ACV is a component of Total ACV and is an important indicator of ACV that is generally recurring in nature. Subscription ACV grew 14.4% year on year to $169,844,000 comprising 92% of overall ACV.

"Other ACV", comprising short-term (less than 12 month) and perpetual licences, and services ACV, rose 15.2% to $15,706,000.

1. Annualised Contract Value (ACV) is an adjusted, non-IFRS measure and does not represent Total Revenue in accordance with AAS or Nuix's accounting policies or cash receipts from customers. ACV is used by Nuix to assess the total contract value of its software contracts on an annualised basis (removing fluctuations from Multi-Year Deal contracts in Nuix's Total Revenue which results from its revenue recognition policies). The calculation of ACV at the end of the relevant financial period adjusts Total Revenue to account for: A) Revenue generated from Subscription Licences with a term of 12 months or more, as well as Consumption Licences which exist at the end of the relevant financial period as if those contracts' revenues were generated (and recognised) in each financial year on a rateable basis over the relevant contract period, expressed on an annualised basis; B) last 12 month contribution from short term Software Licences (including Perpetual Licences) or other Software Licences with a term of less than 12 months, excluding Consumption Licences; and C) the last 12 month contribution of services and third party software sales.

2.5 Group financial position

The Group has no debt and a closing cash balance of $29,588,000 at 30 June 2023, down from $46,846,000 from the previous financial year. The decrease in cash and cash equivalents is primarily due to the milestone payment for the Topos acquisition and non-operational legal costs.

The increase in research and development spend and sales and marketing costs during the year was funded by underlying operational cash flow. Nuix was cash flow positive in the year excluding Topos and non-operational legal costs and in the near term aims to be cash flow positive including both existing M&A and non-operational legal spend.

2.6 Risk management

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

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

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

Our material risks are presented below together with mitigations employed. Mitigation strategies are designed to reduce the likelihood of the risk occurring and/or to minimise the adverse consequences of the risk should it happen. However, some risks are affected by factors external to and beyond the control of the Group.

Detail on Financial Risks can be found in Section 7 of the notes to the Financial Report. In relation to Contingencies, detail is provided in Section 9.6 of the notes to the Financial Report.

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

Risk and Potential Consequences	Mitigations Employed
Accreditations and Certifications	
Nuix has accreditations and certifications which enable customer sales. Loss of existing, or failure or delays to obtaining new, accreditations or certifications may have a temporary or permanent impact on financial performance.	✓ Investment in our information security accreditations and certifications ✓ Internal auditing against certification security control standards ✓ Annual independent certification audits
Attracting Talent and Retaining Key Persons	
Nuix's success is dependent on attracting talent, retaining key persons, and fostering a high-performance and values driven culture. This risk is elevated by changes in employee working operating model expectations, wage inflation, the competitive environment for talent globally in the disciplines in which Nuix recruits and the ongoing media coverage of Nuix.	✓ Purpose led business strategy, vision and value statements underpinned by our Code of Conduct ✓ Regular engagement surveys to better understand employee experiences and views ✓ A remuneration strategy to attract, motivate and retain individuals with performance linked reward ✓ Board and Committee oversight of people and culture strategies and programs ✓ Flexible work policies and hybrid work model ✓ Communication with all staff to ensure that the strategy is understood as well as the role that they play ✓ Learning and development frameworks to support career growth

Risk and Potential Consequences	Mitigations Employed
Business Continuity, Third Parties and Resilience	
Nuix's operating model places high reliance on the availability and reliability of third-party software, hardware, and information technology, including data centers and global communication systems. Failure or disruption may impact our customers' use of our products or the execution of enterprise critical business processes. Incidents could result in financial penalties, customer churn or missed business critical deadlines. Increases in third party service provider prices may also increase costs.	✓ Nuix SaaS architected for high-availability ✓ Third party due diligence processes and external risk intelligence software tool ✓ External vendor for technology incident management and customer support ✓ Crisis and continuity plans, incident response and recovery playbooks
Contractual Risk	
Nuix's business is dependent on our ability to enter and comply with legally binding agreements and allocate and manage contractual risks and obligations. Nuix may enter into agreements that are not legally enforceable, have unintended consequences or create exposures which are not able to be fully mitigated. Nuix may inadvertently breach contractual obligations and be subject to customer or vendor claims and disputes. To win or retain business, Nuix may need to agree to higher contractual liability caps which may exceed professional indemnity insurance limits.	✓ In-house Legal function which provides review and oversight of agreements prior to execution ✓ Delegations of authority setting out individuals who are authorised to sign agreements ✓ Standard contractual Terms and Conditions (T&Cs) inclusive of liability caps ✓ Contract review and approval processes and controls to manage deviations from standard T&Cs ✓ Professional indemnity insurance policy with limits informed by risk profile
Cyber & Information Security	
The risk that Nuix, our partners, third parties or customer base is impacted by a cyber event which causes loss, harm, damage, or disruption. Use of our products involves the processing and, via Nuix Discover SaaS, the cloud hosting and storage of customers' data which can include privileged, confidential, sensitive, proprietary and 3rd party data and Personally Identifiable Information (PII). There is a risk that a cyber event could result in a security breach which compromises customer data. Such an event could result in litigation, customer terminations and liability claims, regulatory enforcement action, remediation costs and damage to Nuix's reputation and brand. A cyber incident could cause disruption to customer services and critical Nuix business processes. Actual or perceived failures in our technology security capability and control environment could result in financial loss and impact our reputation and brand. Our information security costs may also increase if customer, regulatory or accreditation minimum standards increase. Whilst Nuix does not collect and store significant quantities of sensitive and PII data, there is a risk that Nuix fails to adequately protect data that it is directly responsible for. This could result in a breach of privacy obligations.	✓ Cyber risk and security plans and investment ✓ In-house expertise supplemented by external vendors to identify, manage and oversee information security risks ✓ 24x7 Security Operation Centre and continuous monitoring of critical systems for signs of performance, intrusion, or interruption ✓ Physical and logical separation of environments and duties across SaaS and Corporate IT ✓ Multi-factor authentication and least privileged access to SaaS environment ✓ High grade encryption of customer data ✓ Regular network penetration testing ✓ Market-leading third-party tools to protect and monitor the SaaS and Corporate IT environments ✓ Crisis, incident management and recovery playbooks and cyber insurance policy ✓ Good practice certifications for data security management (ISO 27001:2013, ISO 27018:2019) ✓ Privacy Policy, Privacy Officer and a Privacy Compliance plan

Risk and Potential Consequences	Mitigations Employed
Environmental, Social & Governance (ESG)	
Nuix seeks to conduct business responsibly, ethically, and sustainably. This includes ensuring that our technology is not used for unethical or illegal purposes. Failure to meet ESG commitments or expectations, or manage our ESG risks, could harm our reputation, impact performance, limit access to capital or impact our ability to attract and retain talent.	✓ Clearly documented governance structures and accountabilities ✓ ESG initiatives and reporting ✓ Calculation of FY22 and FY23 enterprise scope 1 and 2 emissions base and purchase of carbon credits to fully offset ✓ Modern Slavery Statement and Policy. Periodic review of vendors for country and modern slavery risk red flags. ✓ High-Risk Countries Policy and supporting review and approvals processes
Financial Risks	
Nuix is exposed to a variety of financial risks including foreign exchange, credit, software impairment and liquidity. If financial risk management strategies are ineffective, financial performance may be impacted. There is a risk of error in financial reporting due to inadequate or ineffective financial processes and controls.	✓ Software capitalisation models and annual impairment testing ✓ Early engagement and consultation with external auditors/ professional firms on significant deals and key accounting policies ✓ Budgeting, cash-flow forecasting and performance monitoring and reporting processes ✓ Strategic operating plan linked to Leadership Team Short-Term incentives ✓ Refer to Section 7.1 of the notes to the Financial Report for more detail on how Nuix manages its financial risks
Funding & Refinancing	
Nuix may seek to raise additional capital to support operations, fund future growth or respond to opportunities. Nuix may not be able to secure debt or equity financing on favourable terms or at all. Raising additional funds by issuing equity securities may result in ownership dilution for shareholders. Nuix's ability to meet objectives could be impacted if it is unable to obtain necessary and adequate financing solutions or maintain sufficient working capital.	✓ Board approved capital, funding, and liquidity management strategy ✓ Maintain relationships with investors and banking partners. ✓ Treasury Policy and working capital management thresholds, processes and controls ✓ Refer to Section 7.1 of the notes to the Financial Report for more detail on how Nuix manages its financial risks
Integrating Acquisitions	
Nuix has completed strategic acquisitions in recent years, inclusive of the Rampiva business. There is a risk that Nuix is delayed in integrating acquisitions or that they do not deliver expected synergies and benefits.	✓ Board and senior management oversees integration strategy and programs ✓ New opportunity due diligence and approvals ✓ Integration roadmaps and milestone planning linked to financial reward
Intellectual Property	
The value of Nuix's business is, in part, dependent on Nuix's ability to protect its IP and rights – particularly its unique parallel-processing approach for processing unstructured data. Theft of, or inability to protect our IP could result in a loss of competitive advantage. Infringement of third-party IP by Nuix could also result in claims or litigation.	✓ Engagement with external IP experts ✓ Process for registering trademark, copyrights, and patents ✓ Contractual safeguards (e.g., non-disclosure agreements) prior to any proprietary disclosures ✓ Corporate IT information security program

Risk and Potential Consequences	Mitigations Employed
Legal & Regulatory Compliance	
Nuix is impacted by numerous laws and regulations globally, including corporate, privacy, sanctions, employment, tax, and financial reporting. Nuix's activities, including past, current, or future activities, may have contravened laws or regulations in one or more jurisdictions. This could result in financial loss and damage to our reputation and brand. Changes to laws and regulations may impact strategy, business performance and may increase compliance costs.	✓ Regular review of compliance risk areas by the Audit and Risk Committee ✓ Policies, supported by board and staff training, on key legal and regulatory obligations and expected practices ✓ External corporate law and professional services firms provide advice on issues and specialist resourcing and compliance support
Litigation	
There are currently proceedings on foot within Australia that pose certain risks to the organisation if the outcomes to these proceedings are adverse to Nuix. Such adverse outcomes may be costly and could damage our reputation and brand, which in turn may impact our capital structure. Litigation may also disrupt the execution of strategy and impact business performance. There is a risk that Nuix may be party to new litigation which may have a material impact on future financial and operating performance.	✓ Litigation, disputes, or investigations are managed in an effective and efficient manner with a view to protecting the outcomes of Nuix's financial position and reputation ✓ Engagement of specialised external legal counsel and internal structure ✓ Communications strategy to keep employees and stakeholders informed
Market, Customer and Competition	
Nuix's future business prospects are dependent on protecting and growing our share of the addressable market. Nuix may not be able to compete successfully against competitors, some of whom have significantly more financial and operational resources. A decline in general economic conditions or a change in business and government spending could adversely impact financial performance. Nuix may not meet customer expectations or our sales enablement and account growth strategies may be ineffective.	✓ Multi-horizon customer centric strategy ✓ Diversified customer base across industries and geographies ✓ Sales enablement, opportunity pipeline and account management processes ✓ Proactive monitoring of market, industry, and competitor intelligence to identify strategic opportunities ✓ Strong and effective relationships with our customers and partners
Negative Publicity and Reputational Damage	
Further negative publicity could impact Nuix's image, reputation and standing in the eyes of our customers, employees, investors, and other stakeholders. Examples of potential triggers for negative publicity may include adverse litigation outcomes, behaviour and conduct matters, external cyber-attacks or not meeting investor, customer and other stakeholder expectations or our compliance obligations. For example, a cyber event could impact customer trust in Nuix products or impact the perception of the value of certain Nuix products such as our Data Privacy solution. Negative publicity and the resulting reputational damage could have wide ranging implications impacting the share price, customer churn or downsell, software value, retention of key persons or make it more difficult to raise capital or access alternative financing options if required.	✓ Value statements underpinned by our Code of Conduct ✓ A remuneration framework, oversighted by the Board, which focuses on leadership performance and behaviours ✓ Investor Relations strategy and active investor relations management and engagement with the investment community ✓ Market disclosure policy and supporting approval processes ✓ Cyber risk and security plans and investment ✓ A media relations strategy which seeks to nurture media relationships and help educate audiences about Nuix, our brand identity, purpose and values ✓ Customer account management to protect, nurture and grow accounts ✓ Executive Ethics and Social Committee to evaluate sales opportunities classified as higher social risk

Risk and Potential Consequences	Mitigations Employed
Open-Source and Third-Party Software	
Nuix uses third party and open-source software in our products. This introduces Nuix to potential security, intellectual property, reliability and licensing compliance risks which may impact our customers, execution of our product roadmap or events which result in financial loss. There are also inherent uncertainties regarding the interpretation of and compliance with open-source software which could result in 3rd party claims, increased licence and product re-engineering costs or the disclosure of Nuix proprietary software.	✓ Register of third party and open-source libraries and licences by product ✓ Tools to monitor and report on the security profile of open-source code ✓ Vulnerability management and remediation tools and practices ✓ Contracts in place with third party software providers
Partner Distribution Channel Performance	
A key sales channel for Nuix is to sell with, and sell through, sales partners. This channel may not achieve planned revenue volumes, margins, or renewal targets. This could be caused by inadequate sales partner performance, competitor product and incentivisation offerings or competitor M&A activity.	✓ Partner program focused on strategic partnerships and mutually beneficial relationships ✓ Alliances and Partnerships strategy with dedicated leadership and account management team ✓ Relationship management processes ✓ Partner portal, enablement, training, marketing development funds and quarterly business reviews
Product Functionality and Performance	
Our customers include government agencies, regulators, corporations, and professional service firms who often rely on our software to analyse data in sensitive and high-profile investigations. Our software and products may not function as intended, resulting in adverse outcomes for customers. This could be caused by unintended or undetected errors, defects, failures, or bugs in the platform.	✓ Highly skilled engineers and product development employees ✓ Software Development Life Cycle including review and testing of code prior to release ✓ Vulnerability management and remediation tools and practices ✓ Customer service support system integrated with engineering software development planning
Product Strategy and Technology Innovation	
Our technology strategy and continued investment in product innovation is a critical foundation for our future success. There is a risk that research and development (R&D) investment may be insufficient, not used effectively and efficiently, or may not meet customer and market expectations. This could impact our ability to retain, grow and win customer accounts or the carrying value of our software. There is a risk that technological advancement and innovation could disrupt the industry and impact the value and profitability of our product suite.	✓ Technology and product roadmap linked to strategy and informed by customer feedback ✓ R&D investment as a percentage of revenue benchmarked and aligned to market ✓ Highly skilled engineers and product development employees ✓ Continuously evolving our technology stack to enable innovation and drive efficiencies

3. ENVIRONMENTAL REGULATION

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

4. DIVIDENDS PAID OR RECOMMENDED

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

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

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

5. EVENTS SINCE THE END OF THE FINANCIAL YEAR

On 3 July 2023, the Group announced that it achieved financial close on the acquisition of Rampiva (Rampiva Global, LLC and Rampiva Technology, Inc.), having previously announced on 23 May 2023 that it had entered into an agreement to acquire all the shares in Rampiva, a workflow automation and job scheduling software provider. The control over Rampiva was obtained when financial close was completed. Rampiva is used by customers where the cost, ease and administration of hyper-scale data processing is no longer sustainable manually. The initial cost of the acquisition was USD $2.0 million in cash and USD $2.0 million in Nuix newly issued shares, which was paid on financial close. Up to a further USD $3.0 million in Nuix shares will be issued if Rampiva achieves ACV growth and cost management milestones for the three years post-acquisition. The transaction brings to the Group the Rampiva team, technological capabilities, and cross-sell and growth opportunities for both Nuix and Rampiva customers. Management is in the process of finalising the accounting for the acquisition, including the determination of fair value of the identified acquired assets and assumed liabilities, and the determination of the fair value of the consideration for the business combination, given the timing of the acquisition relevant to the completion of these accounts.

On 22 August 2023, the Group announced it has resolved the proceedings with Mr Edward Sheehy, in reference to its announcements dated 7 February 2023 and 8 March 2023 in connection with the Federal Court of Australia proceedings commenced by Mr Sheehy. As identified in those announcements, on 7 February 2023 the Federal Court dismissed Mr Sheehy's claims. In March 2023, Mr Sheehy lodged a Notice of Appeal in relation to aspects of that decision. The Appeal was scheduled to be heard on 23 August 2023. The Group can confirm that it has resolved the proceedings with Mr Sheehy on the basis that the Appeal be dismissed, Mr Sheehy's share options in NXL will be cancelled and that Mr Sheehy make a contribution of $700,000 towards Nuix's legal costs associated with the proceedings.

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

6. COMPANY SECRETARY

The details of the Company Secretary in office at the date of this report is set out below.

Ilona Meyer

LLM. LLB GradDipLegPrac. GIA(Cert). GAICD. AMIIA.

Ilona Meyer is the General Counsel and Company Secretary. Ilona joined Nuix in August 2022. Prior to that, Ilona was the Head of Legal & Compliance (ANZ) and Company Secretary of Boehringer Ingelheim. Ilona has also held senior legal roles with private and public companies, including ResMed, Ruralco, Medtronic, 3M, NTT and Computer Associations. Since joining Nuix, Ilona has engaged closely with the Nuix board and its committees as a lawyer and company secretary.

7. DIRECTORS' INTERESTS IN SECURITIES

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

Name	Ordinary Shares	Options
Robert Mactier	175,000	–
Jeffrey Bleich	135,000	240,000
Sir Iain Lobban	–	250,000
Susan Thomas	315,300	–
Jacqueline Korhonen	–	–
Daniel Phillips	–	–
Alan Cameron	23,800	–
Sara Watts	–	–
Jonathan Rubinsztein	642,348	–

8. SHARE OPTIONS

Unissued shares under options

All options were granted in previous financial years. No options have been granted since the end of the previous financial year.

At the date of this report, subsequent to the resolution of the Sheehy litigation, unissued shares of the Group under option total 2,641,110, and have an exercise price in the range of $2.00 to $5.79 and a weighted-average contractual life of 3.5 years.

Shares issued on exercise of options

The Group has not issued any ordinary shares of the Company as a result of the exercise of options during or since the end of the financial year.

9. MEETINGS OF DIRECTORS

The numbers of meetings of the Company's Board of Directors and Board Committees held during the financial year ended 30 June 2023 and each director's attendance at those meetings is set out below.

	Full Board		Remuneration and Nomination Committee		Audit and Risk Committee	
	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended
Robert Mactier	14	14	–	–	7	7
Jeffrey Bleich	14	13	7	7	–	–
Sir Iain Lobban	14	13	–	–	4	4
Susan Thomas	14	13	4	4	6	6
Jacqueline Korhonen	14	14	7	7	–	–
Daniel Phillips	3	3	3	3	–	–
Alan Cameron	6	6	2	2	–	–
Sara Watts	6	6	–	–	2	2
Jonathan Rubinsztein	14	13	–	–	–	–

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

Details of current Directors, their experience, qualifications, Directorships of other listed entities and any special responsibilities, including Board Committee memberships, are set out on pages 26 to 27.

10. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

11. INDEMNIFICATION OF AUDITORS

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

12. AUDIT AND NON-AUDIT SERVICES

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

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

The Board of Directors, in accordance with advice provided by the Audit and Risk Management 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 and Risk Management 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, as they did not involve reviewing or auditing the auditors' own work, acting in a management or decision-making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

13. ROUNDING OF AMOUNTS

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

14. AUDITOR'S INDEPENDENCE DECLARATION

The Directors have received the Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001. The Lead Auditor's Independence Declaration is set out on page 39 and forms part of the Directors' Report for the year ended 30 June 2023.

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

Robert Mactier
Chair

Sydney, Australia
8 September 2023

Jonathan Rubinsztein
Director

Sydney, Australia
8 September 2023

AUDITOR'S INDEPENDENCE DECLARATION

KPMG

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

To the Directors of Nuix Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Nuix Limited for the financial year ended 30 June 2023 there have been:

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

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

KPMG	Trent Duvall
	Partner
	Sydney
	8 September 2023

REMUNERATION REPORT

FOR THE YEAR ENDED 30 JUNE 2023

CONTENTS

LETTER FROM CHAIR OF REMUNERATION AND NOMINATION SUB-COMMITTEE

Dear Shareholders

On behalf of the Remuneration and Nomination Committee (RNC), I am pleased to present the Remuneration Report (**Report**) for Nuix Limited (**Nuix** or **the Group**) for the year ended 30 June 2023 (**FY23**).

FY23 – a year of transformation

Led by our CEO, Jonathan Rubinsztein and his executive leadership team, FY23 has brought the transformation of Nuix to life. Despite a year of external challenges and organisational change, the Nuix team has begun to successfully execute against its strategic plan.

This year, Nuix delivered $185.5 million of Annualised Contracted Value (**ACV**) 14.5% growth from the prior corresponding period (**PCP**)). Nuix additionally delivered growth in other key financial metrics with $182.5 million of Statutory Revenue (up 19.8% from PCP), EBITDA of $34.9 million (up 189.2% from PCP) and Underlying Free Cash Flow of $9.1 million (up 470.6% from PCP) excluding non-operating legal fees and M&A activity.

Board and executive renewal

In FY23, the Board completed its renewal of Nuix's Executive Key Management Personnel (Executive KMP) to support the execution of the Group's strategy and delivery of value to our shareholders.

We were pleased to appoint Michael Smith to the role of Executive Vice-President, Americas in July 2022. Mr Smith is a seasoned technology sales executive who brings extensive experience and a proven track record of delivering exceptional results. In November 2022 Warren Brugger joined Nuix in the role of Executive Vice-President, APAC & Global Alliances, who has extensive sales and consulting leadership experience as well as strategic alliances and channels with global technology companies.

In January 2023, the Board appointed Sara Watts as Non-Executive Director and Chair of the Audit & Risk Committee and Alan Cameron as a Non-Executive Director to complement the skills, experience and capabilities of the Nuix Board. In February, the Company announced the election of Robert Mactier to the role of Chairman, taking over from Jeffrey Bleich who stepped into the role of Deputy Chairman.

Executive remuneration at Nuix

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

Consistent with our approach in FY22, we adopted a balanced scorecard approach under the FY23 short-term incentive (**STI**) for the KMP in line with market practice. Their STI was assessed against a mix of financial and non-financial measures.

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

Remuneration changes made in FY23

In FY23, in recognition of the work required by Executive KMP and the broader Leadership Team in transforming the performance of the Company, a one-off LTI program was implemented by the Board that provided for 100% performance testing against Annualised Contract Value (**ACV**) at the end of FY23, with vesting in FY24 and FY25. The Board adopted this measure for consistency with the Company's reporting to shareholders and the market generally.

It was intended that this plan would be in place for 12 months and replaced with a longer dated LTI plan following a comprehensive review of our executive remuneration framework.

Linking FY23 remuneration outcomes to performance

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

Nuix now has in place a revitalised leadership team to drive transformation and growth.

In FY23, having regard to the Group's performance during the financial year:

- The FY23 STI outcomes are 96% of maximum for Executive KMP, reflecting the performance of the business, the progress on the implementation of the strategy and the sales outcomes.
- There were no long-term incentive (**LTI**) awards that were eligible to vest for any KMP.
- Sign on equity awards vested to the following KMP:
  - Jonathan Rubinsztein 142,348
  - Chad Barton 42,026

Executive remuneration at Nuix – FY24 and beyond

The Board has conducted a comprehensive review of Nuix's executive remuneration framework to ensure it is market competitive in the jurisdictions in which it operates, is aligned to Nuix's strategy and is fit for purpose.

As the Company continues its transformation journey, key concerns for the Board have been to ensure the remuneration framework:

- is structured to focus executives on the growth drivers that will create long-term shareholder value.
- provides remuneration in the highly competitive global technology sector that will attract, retain and motivate executives.

With these guiding principles and a review of market practices, the KMP long-term incentive structure for FY24 will comprise of:

- **Long-term Incentive (LTI) plan** contingent on achieving key financial and share-price based performance hurdles over three years. This is an ongoing plan, intended to be granted on an annual basis.
- **One-off Retention and Incentive plan** contingent on achieving share-price based hurdles and continued employment over a three-year period. This is a one-off plan to be granted in FY24 only and is designed to retain and motivate our executive team during this critical period of transformation for the organisation and at a time where continues to be significant external pressures impacting the Company.

These long-term incentives will be delivered in equity as Performance Rights.

Details of these incentive programs are set out in the 2023 Notice of Annual General Meeting Resolutions for shareholder approval of equity to be granted to the Chief Executive Officer & Executive Director.

Conclusion

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

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

Jacka K

Jacqueline Korhonen
Chair of Remuneration and Nomination Sub-Committee

REMUNERATION REPORT – AUDITED

1. WHO IS COVERED BY THIS REPORT?

This Report outlines the remuneration arrangements in place for key management personnel (**KMP**) of the Group in FY23, which comprise all Non-Executive Directors and senior executives who have authority and responsibility for planning, directing and controlling the activities of the Group. The FY23 KMP are set out in the table below.

Table 1: Overview of FY23 KMP

KMP	Current Position	Term as KMP
Executive KMP		
Jonathan Rubinsztein	CEO and Executive Director	Full year
Chad Barton	COO/CFO	Full year
Warren Brugger	Executive Vice President, APAC and Global Alliances	Partial year from 14 November 2022
Jonathan Rees	Executive Vice President, EMEA	Full year
Michael Smith	Executive Vice President, Americas	Partial year from 25 July 2022
Ethan Treese	Executive Vice President, Americas	Ceased as KMP on 30 September 2022
Non-Executive Directors		
Robert Mactier	Independent Chairman Independent Deputy Chairman	Partial year from 20 February 2023 Partial year until 19 February 2023
Jeffrey Bleich	Independent Deputy Chairman Independent Chairman	Partial year from 20 February 2023 Partial year until 19 February 2023
Sir Iain Lobban	Independent Non-Executive Director	Full year
Sue Thomas	Independent Non-Executive Director	Full year
Jacqueline Korhonen	Independent Non-Executive Director	Full year
Sara Watts	Independent Non-Executive Director	Partial year from 3 January 2023
Alan Cameron	Independent Non-Executive Director	Partial year from 3 January 2023
Daniel Phillips	Non-Executive Director	Ceased as Non-Executive Director on 31 August 2022

2. OUR VALUE PROPOSITION

At Nuix, we strive to cultivate the loyalty and passion of talented employees who aim for excellence and contribute to making the world a better place through software that helps our customers be a force for good, by finding truth in the digital world.

We recognise that remuneration is only one of the reasons why our people come to work every day and our broader value proposition is key to our ability to attract, retain and motivate world-class talent to deliver on our vision.

We seek to create a supportive and inclusive workplace that fosters high engagement and satisfaction and encourages everyone to be the best they can be.

It is our fundamental belief that the behaviour and performance of all employees should not only drive business performance and meet the expectations of our stakeholders and community but should do so in a way that aligns with our values (see Section 3).

In FY23, Nuix undertook a wholesale refresh of our values, involving our employees, and the new values, called TRUTH, were launched in late 2022.

3. FY23 – EXECUTIVE KMP REMUNERATION AT A GLANCE

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

Our Values

Aligning with our core values and expected behaviours.

TAKE OWNERSHIP – AND FOLLOW UP

RESILIENT – WE LEARN FROM THE PAST AND ARE OPTIMISTIC ABOUT TOMORROW

UNAFRAID – TO DO THE RIGHT THING, QUICKLY

TEAM NUIX – FIRST AND FOREMOST

HERO OUR CUSTOMERS – AND INNOVATE FOR THEM

STRATEGIC PRIORITIES

Our vision of being a force for good by finding truth in the digital world, demonstrated by these strategic priorities:

- **Return to strong top line growth** – To fund the future
- **Develop sales excellence** – Drive sales and partnering enablement
- **Evolve technology to modular platform** – Cross-solution platform for large enterprise
- **Remove complexity** – Simplify and streamline processes
- **Anticipate future use cases** – Identify and monetize new use cases enabled by data processing
- **Enhance commercial capabilities** – Improved financial systems and processes

REMUNERATION PRINCIPLES

Supporting our strategic priorities and business objectives, demonstrated by these remuneration principles:

- **Strategy led** – Rewarding for delivery on our strategic priorities
- **Market competitive** – Attraction, motivation and retention of key talent
- **Perform and Innovate** – Encouraging the best from our people
- **Acting like owners** – Shareholder and customer alignment
- **Right behaviours** – Encouraging behaviours aligned with our values
- **Simplicity** – Simple and easy to understand

Our Framework

Our remuneration framework aligns with our values and strategy.

TOTAL FIXED REMUNERATION (TFR)

- Base salary and superannuation (or other equivalent pension arrangements)
- TFR is reviewed annually having regard to the individual's role, responsibilities, skills, experience and performance, as well as fixed remuneration levels offered to comparable roles within companies with which the Company competes for talent

As part of its overarching discretion under both STI and LTI Plans, the Board has the ability to make downward adjustments for any behaviour that is inconsistent with the Company's culture and values (as well as any risk, regulatory or reputational issues).

SHORT TERM INCENTIVE (STI)

- Performance period of 1 year
- Assessed against a combination of ACV growth (constant currency), cost base and other non-financial Group performance measures for the CEO and COO/CFO and regional relevant ACV growth (local currency) and cost base and other non-financial Group performance measures for the EVP Americas, EVP EMEA and EVP APAC and Alliances as set by the Board
- Delivered in cash (2/3) and share rights (1/3) deferred for 12 months for the CEO and COO/CFO and cash (75%) and share rights (25%) deferred for 12 months for the other Executive KMP). STI deferral in share rights, creates further alignment with shareholder interests and supports retention
- STI provides motivation for the achievement of annual performance goals

LONG TERM INCENTIVE (LTI)

- LTI drives the delivery of Nuix's longer term objectives in a sustainable manner

FY23 LTI

- Delivered in performance rights and assessed against ACV growth.
- Performance rights vest progressively in two tranches, the first being 1 year after achievement (ie August/September 2024) and the second 2 years after achievement (ie August/September 2025) and are subject to remaining employed

FY24 LTI and beyond

- Delivered in performance rights
- Long-term Incentive (LTI) plan contingent on achieving key financial and share-price based performance hurdles over three years.

FY24 LTI (one-off)

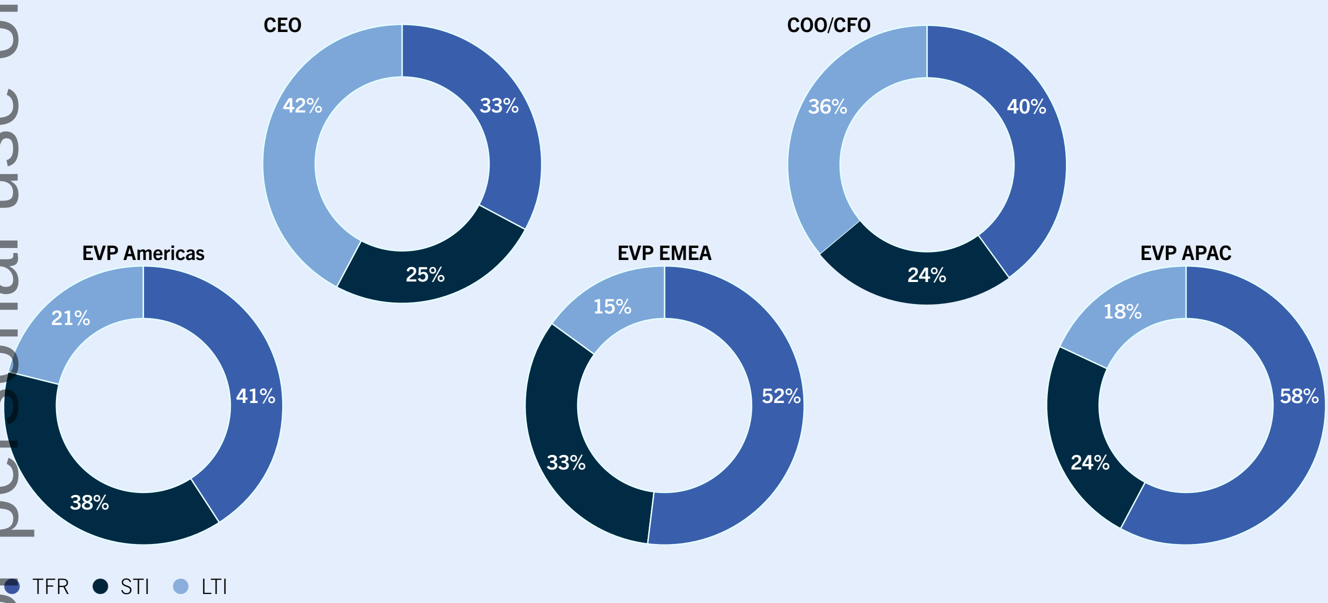
- Retention & Incentive plan contingent on achieving share-price based hurdles and continued employment over a three-year period. This is a one-off plan to be granted in FY24 only and is designed to retain and incentivise our executive team during this critical period of transformation for the organisation.

KMP Pay Mix

Pay mix for performance

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

B. The EVP, International and EVP, Americas and their remuneration arrangements are consistent with other senior non-KMP staff. In FY23, they received fixed annual remuneration, STI and participation in the FY23 LTI plan.



4. FY23 EXECUTIVE REMUNERATION OUTCOMES – IN DETAIL

4.1 Overview of Group performance

As noted above, it is important to Nuix that the remuneration outcomes for our Executive KMP align with the Group's performance. An overview of Nuix's FY2023 performance is set out below.

Annualised Contract Value (ACV)

$185.5m

▲ **Up 14.5% on FY22**
10.8% on constant currency basis

Subscription ACV

$169.8m

▲ **Up from 14.4% in FY22**
10.8% on constant currency basis

Statutory Revenue

$182.5m

▲ **Up 19.8% on FY22**
15.8% on constant currency basis

Statutory EBITDA

$34.9m

▲ **Up 189.2% on FY22**
172.8% on constant currency basis

Net Dollar Retention (NDR)

109.2%

▲ **Up from 96.8% in FY22**
106.2% in constant currency

Customer Churn

5.3%

▼ **Down from 5.4% in FY22**
5.2% in constant currency

Earnings per share (basic)

$(0.02)

▲ **Up from $(0.07) in FY22**

Share price at 30 June 2022

$0.85

▲ **Up 11.8% on FY22**

4.2 Linking remuneration to performance

A key underlying principle of the Company's executive remuneration strategy is the link between company performance and executive reward.

Under the Company's transformation strategy, Nuix has been successful in achieving its goals to date. Through strong ACV performance Nuix is building momentum for sustainable and profitable growth in FY24 and beyond.

The following table summarises the Company's performance and short term incentives awarded to executive KMP since listing.

Table 2. Company's performance and incentives

	Financial Performance						STI
Year	ACV $m	Underlying EBITDA $m	Statutory Revenue $m	Net Dollar Retention %	Earnings per Share cents	Share Price at 30 June $	STI awarded to Executive KMP $m
FY23	185.5	46.4	182.5	109.2%	(0.02)	0.85	1.8
FY22	162.0	29.2	152.3	96.8%	(0.07)	0.76	0.7
FY21	165.9	67.0	176.1	95.5%	(0.00)	2.21	0.3

4.3 Total fixed remuneration (TFR)

Table 2 below sets out the annualised TFR payable to the Executive KMP in FY23 based on their contractual values. Executive KMP TFR levels have been set with regard to benchmarking data within the technology sector.

Table 3. Executive KMP fixed remuneration levels

Executive KMP	Total fixed remuneration (annualised)[1] $
Jonathan Rubinsztein	700,000
Chad Barton	790,000
Warren Brugger	440,000
Jonathan Rees	491,951
Michael Smith	490,427
Ethan Treese (former)	490,427

1. Excludes mandatory and employer superannuation contribution.

4.4 FY23 short-term incentive outcomes

A. Overview

As noted above, Executive KMP participate in an STI program. The maximum STI awards that Executive KMP were eligible to receive in respect of FY23 are set out in Table 4 below.

The Board determined that the former EVP Americas Ethan Treese was not eligible for an STI in FY23 (refer section 6.4 for further detail on his exit arrangements).

Table 4. Executive KMP STI outcomes

	STI OUTCOMES (FY23)				
Executive KMP	Maximum STI opportunity[1] $	Maximum STI opportunity (% TFR)	Value of STI awarded $	% of FY23 STI awarded	% of FY23 STI award forfeited
Jonathan Rubinsztein	525,000	75%	504,000	96%	4%
Chad Barton	474,000	60%	455,040	96%	4%
Warren Brugger	176,000	40%	105,542[2]	96%	4%
Jonathan Rees	313,060	64%	300,537	96%	4%
Michael Smith	445,842	91%	399,728[2]	96%	4%

1. Excludes mandatory and employer superannuation contribution, not prorated for period of appointment as a KMP.
2. Pro-rated for start date and represents their maximum STI opportunity relating the period of appointment as a KMP.

B. FY23 STI – assessment of performance measures

An overview of performance against the FY23 STI measures are set out in the following tables. The CEO and COO/CFO were assessed against a balanced scorecard of financial and non-financial Group measures. The EVP Americas, EVP EMEA, EVP APAC and Alliances were assessed against performance of the respective businesses for financial performance in order to drive performance in the respective regions in which Nuix operates, as well as non-financial Group measures.

Table 5. Performance against FY23 STI performance measures for CEO and CFO/COO

STI PERFORMANCE MEASURES

Measure	Weighting	Outcomes	Explanation
Financial metrics (CEO and COO/CFO only)			
Group ACV	40%		**Overachieved** – 100% of STI was awarded against this measure. Group ACV $185.5m (Up 14.5% PCP) *Up 10.8% on constant currency basis*
Group cost base	20%		**Overachieved** – 100% of STI was awarded against this measure. **Cost base management** Actual $187.4m *8% under budget on constant currency*
Non-financial metrics (for CEO, CFO/COO and EVPs)			
Implementation of Group strategy ✓ Progress against strategic initiatives	10%		**Achieved** – 100% of STI was awarded against this measure. The transformation initiatives that underpin the Company's Strategy Refresh have progressed to plan, most notably Nuix NEO unified platform, the launch of XLR8 to reset the Nuix messaging to increase customer engagement and the Rampiva acquisition.
Customer focus ✓ Net Dollar Retention ✓ Customer interaction and feedback	10%		**Overachieved** – 100% of STI was awarded against this measure. **Net Dollar Retention (NDR) 109.2%** (up from 96.8% in PCP) *106.2% in constant currency* **Customer Churn 5.3%** *Down from 5.4% in FY22*
Culture, leadership, and engagement ✓ Engagement score ✓ Turnover ✓ Key hires	20%		**Partially Achieved** – 80% of STI was awarded against this measure. There has been a steady increase in Nuix's employee engagement score (67% in the latest survey). **Voluntary Turnover Rate 15%** (*down from 20.9% PCP*) In FY23 we completed the formation of the go-forward Leadership Team with key appointments made.

Key	Above Target	Between threshold and target	Below Threshold

Table 6. Performance against FY23 STI performance measures for EVP Americas, EVP EMEA and EVP APAC and Global Alliances

STI PERFORMANCE MEASURES

Measure	Weighting	Outcomes	Explanation
EVP Americas – Financial metrics			
Regional ACV	40%		**Overachieved** – 100% of STI was awarded against this measure. **Regional ACV $96.0m** (up 15.0% PCP) *Up 9.1% on Constant Currency*
Regional cost base	20%		**Achieved** Americas managed the cost base (excluding non-BAU legal expenses) to plan, therefore 100% of STI was awarded against this measure.
EVP EMEA – Financial metrics			
Regional ACV	40%		**Overachieved** – 100% of STI was awarded against this measure. **Regional ACV $50.1m** (up 12.2% PCP) *Up 11.2% on Constant Currency*
Regional cost base	20%		**Achieved** EMEA managed the cost base (excluding non-BAU legal expenses) however were between threshold and target in FY23 due to higher partner reseller costs and employment costs. 100% of STI was awarded against this measure.
EVP APAC and Alliances – Financial metrics			
Regional ACV	40%		**Overachieved** – 100% of STI was awarded against this measure. **Regional ACV $39.4m** (up 16.4% PCP) *Up 14.2% on Constant Currency*
Regional cost base	20%		APAC and Alliances managed the cost base (excluding non-BAU legal expenses) however were between threshold and target in FY23 due to higher partner reseller costs and employment costs. 100% of STI was awarded against this measure.

Key	Above Target	Between threshold and target	Below Threshold

C. FY23 STI terms – further detail

Key terms and conditions applying to the STI arrangements for the Executive KMP during FY23 are set out below.

Table 7. Description of key terms of FY23 Executive KMP STI

SHORT TERM INCENTIVE – KEY TERMS

Term	Further detail – CEO and COO/CFO	Further detail – EVP, EMEA, EVP, Americas & EVP, APAC and Global Alliances
Performance period	STI awards are assessed over the 12-month financial year. Any STI award payments are made after performance is tested at the end of the performance period.	
Instrument	Once the total dollar value of the STI earned is determined, 2/3 will be awarded in cash, the remaining 1/3 will be delivered in share rights to support the alignment between the CEO and COO/CFO and Nuix's shareholders. Each share right will vest into one share after 12 months subject to continuing employment. For the CEO, subject to shareholder approval, the number of share rights granted will be calculated by dividing the dollar value attributable to those share rights by the closing Share price on the trading day immediately before the date of the grant. For the COO/CFO, the number of share rights granted will be calculated by dividing the dollar value attributable to those share rights by the 5-day VWAP immediately before the date of the grant.	Once the total dollar value of the STI earned is determined, 75% will be awarded in cash, the remaining 25% will be delivered in share rights to support alignment between the EVP's and Nuix's shareholders. Each share right will vest into one share after 12 months subject to continuing employment.
Performance Measures	The STI is assessed against multiple performance measures being: ✓ Group-wide ACV (40% weighting) ✓ Group-wide cost base (20% weighting) ✓ Implementation of strategy (10% weighting) ✓ Customer Focus (10% weighting) ✓ Culture, Leadership and Engagement (20% weighting) It is considered that these metrics reflect not only the key financial drivers of value in the business but what is required to drive renewed growth. As part of its overarching discretion, the Board also retains discretion to adjust STI outcomes for behaviour that is inconsistent with the Group's values and culture (as well as any risk, regulatory or reputational issues).	The STI is assessed against multiple performance measures being: ✓ Relevant region ACV (40% weighting) ✓ Relevant region cost base (20% weighting) ✓ Implementation of strategy (10% weighting) ✓ Customer Focus (10% weighting) ✓ Culture, Leadership and Engagement (20% weighting) It is considered that these metrics reflect not only the key financial drivers of value in the business but what is required to drive renewed growth. As part of its overarching discretion, the Board also retains discretion to adjust STI outcomes for behaviour that is inconsistent with the Group's values and culture (as well as any risk, regulatory or reputational issues).
Treatment on cessation of employment	Where an Executive KMP ceases employment prior to the end of the performance period, the default position is that the executive would not be eligible for an STI award for that financial year (unless the Board determines otherwise).	
Change of control	Where there is a change of control event (for example, a takeover bid, scheme of arrangement, merger or any other transaction or event that in the Board's opinion is a change of control event), the Board has discretion in respect of the treatment of the STI (subject to the ASX Listing Rules).	

4.5 FY23 long-term incentive awards – granted

A. Overview

All five Executive KMP were eligible to participate in an LTI award for FY23. The awards will be delivered in performance rights and vest in two equal tranches upon the release of the Company's financial results for each for FY24 and FY25.

Table 8. FY23 LTI awards to Executive KMP

Executive KMP	Maximum LTI opportunity $	Maximum LTI opportunity (% of TFR)	Value of LTI awarded $	% of FY23 LTI awarded	% of FY23 LTI award forfeited
Jonathan Rubinsztein	875,000	125%	875,000	100%	0%
Chad Barton	711,000	90%	711,000	100%	0%
Warren Brugger[1]	83,233	30%	83,233	100%	0%
Jonathan Rees	102,600	21%	102,600	100%	0%
Michael Smith[1]	230,596	52%	230,596	100%	0%

1. Pro-rated for service period.

B. FY23 LTI key terms – further detail

Table 9 below outlines the key terms attaching to the LTI awards granted to Executive KMP during FY23.

Table 9. Key terms of FY23 LTI awards granted to Executive KMP

LONG TERM INCENTIVE – KEY TERMS

	Further detail
Entitlement	Subject to the satisfaction of the performance conditions, each LTI performance right entitles the holder to one fully paid ordinary share in Nuix Limited (or a cash equivalent payment at the discretion of the Board).
Allocation methodology	The number of LTI performance rights to be granted is calculated by dividing the participant's dollar value LTI opportunity for FY23 (as outlined in table 7 above) by the market value of the underlying share determined based on the 5-day VWAP following the release of the FY22 results (i.e., the start of the period that the LTI is tested against). For example, the CEO was eligible to receive up to 1,286,764 Performance Rights which were calculated as the LTI opportunity of $875,000 divided by the 5-day VWAP of $0.68. This was approved at the 2022 Nuix AGM.
Performance conditions and vesting schedule	The FY23 LTI performance rights are subject to performance testing against ACV growth (constant currency) for FY23. If the targets are met, 50% of the vested LTI performance rights will be available upon the release of the Company's financial results for each in FY24 and FY25. The vesting schedule in respect of ACV is outlined below:

ACV growth	3%	4%	5%	6%	7%	8%	9%	10%
% payout of LTI	30%	40%	50%	60%	70%	80%	90%	100%

Treatment on cessation of employment	Where an Executive KMP ceases employment prior to the expiry date noted above: ✓ **for cause or resignation**, the default position is that any unvested LTI performance rights will lapse (unless the Board determines otherwise); and ✓ **in all other circumstances**, the LTI performance rights will remain on foot (unless the Board exercises its discretion to treat them as lapsed).

LONG TERM INCENTIVE – KEY TERMS

	Further detail
Forfeiture and clawback	Under the Nuix Employee Share Plan, forfeiture and claw-back provisions apply to the LTI performance in a range of circumstances including (but not limited to) where (1) a participant has acted fraudulently or dishonestly, or breached his duties or obligations to the Group; (2) has done an act which brings the Group into disrepute; or (3) there has been a material misstatement or omission in the Group's financial statements or circumstances which will require the financial statements of the Group to be restated.
Change of control	Where there is a change of control event (for example, a takeover bid, scheme of arrangement, merger or any other transaction or event that in the Board's opinion is a change of control event), the Board has discretion in respect of the treatment of the awards (subject to the ASX Listing Rules).

4.6 One-off awards

A. Sign-on equity for new EVP Americas and EVP APAC and Alliances

Nuix appointed a new EVP Americas and EVP APAC and Alliances in FY23. In order to attract executives of this calibre and wealth of experience, sign-on incentives were provided as summarised below:

- EVP Americas: In recognition of incentives forfeited with his previous employer, Nuix provided a sign on grant at a face value of $300,000. The number of performance rights issued was 483,014, based on the 5-day VWAP being immediately preceding his start date (25 July 2022). The grant will be issued as performance rights and will vest in five equal tranches in the first trading window following the first and subsequent anniversary date of the start date. Each vesting is subject to a continued service hurdle.
- EVP APAC and Global Alliances: Nuix provided a sign on grant at a face value of $300,000. The number of performance rights issued was 519,930, based on the 5-day VWAP being immediately preceding the effective date of his contract (14 November 2022). The grant will be issued as performance rights and will vest in five equal tranches in the first trading window following the first and subsequent anniversary dates of the start date. Each vesting is subject to a continued service hurdle.

B. Termination payment for previous EVP Americas

In July 2022, Nuix appointed a new EVP Americas (Michael Smith) and as a result agreed the end of employment for the previous EVP Americas (Ethan Treese). As a result of this decision, Nuix made an ex-gratia payment to him of $440,326 to ensure a smooth transition of leadership of our largest sales region.

4.7 Legacy option awards

The EVP EMEA has options that remain on foot that were granted to them prior to the IPO. These options are subject to remaining employed at vesting date. Refer to table 16 for the number of options held and in table 10, the share-based payments include the cost of these options for this year.

The former CEO (Rod Vawdrey) and CFO (Stephen Doyle) retained LTI options on departure in 2021. These options were tested against the FY23 Revenue and EBITDA performance in line with the contractual arrangements. The Board determined that 100% of the revenue target was achieved and 100% of the EBITDA target was achieved and therefore 100% of the available options vested to them. The exercise price for these options is $5.31.

4.8 Executive KMP remuneration statutory table

The table below sets out Executive KMP remuneration for FY23 in accordance with the requirements of the Accounting Standards and *Corporations Act 2001* (Cth). The table reflects the accounting value of remuneration attributable to KMP, derived from the various components of their remuneration.

Table 10. Statutory remuneration table

		Short-term benefits			Long-term benefits	Post-employment benefits	Share-based payments			
	Financial year	Salary[1] $	Cash bonus $	Non-monetary benefits[2] $	Long service leave $	Superannuation $	Equity Settled $	Termination benefits $	Total $	Proportion of remuneration performance-related %
Jonathan Rubinsztein	**FY23**	721,181	336,000	1,961	–	25,292	719,282	–	1,803,716	49%
	FY22[3]	381,377	156,528	3,345	–	13,368	188,044	–	742,662	31%
Chad Barton	**FY23**	820,382	303,360	–	–	25,292	661,205	–	1,810,239	49%
	FY22	845,723	221,200	–	–	25,813	249,741	–	1,342,477	27%
Warren Brugger (from 4 November 2022)	**FY23**	282,752	79,157	–	–	18,771	205,572	–	586,252	24%
Jonathan Rees	**FY23**	503,304	236,939	–	–	19,678	254,526	–	1,014,447	36%
	FY22	480,596	–	–	–	19,834	314,089	–	814,519	39%
Michael Smith (from 25 July 2022)	**FY23**	490,506	299,698	–	–	8,174	362,289	–	1,160,667	42%
Ethan Treese (until 30 September 2022)	**FY23**	109,036	–	–	–	817	(150,158)[4]	440,326	400,021	0%
	FY22	439,285	147,000	–	–	15,466	303,207	–	904,958	50%
TOTAL	**FY23**	**2,927,161**	**1,255,154**	**1,961**	**–**	**98,024**	**2,052,716**	**440,326**	**6,775,342**	
	FY22	**2,146,981**	**524,728**	**3,345**	**–**	**74,481**	**1,055,081**	**–**	**3,804,616**	

1. Includes annual leave expenses recognised during FY23.
2. Includes benefits such as, but not limited to, the provision of car parking and fringe benefits tax (FBT). FBT included is in respect of the FBT year ended 30 June 2023.
3. Prior year only for part of the year that they were KMP.
4. Upon cessation of employment, a number of share-based payment arrangements were forfeited and accordingly a cumulative true-up has been recognised in the financial statements under the accounting standards, which reverses previous profit and loss charges.

5. NON-EXECUTIVE DIRECTOR REMUNERATION

5.1 Overview

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

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

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

Table 11. Non-Executive Director remuneration overview

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

5.2 Fee pool and schedule

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

Table 11 sets out the fees (inclusive of superannuation) payable to the Non-Executive Directors of the Group in respect of FY23.

The Chair and Deputy Chair do not receive separate fees for their participation in Board committees. Daniel Phillips was not paid fees for being a Non-Executive Director, or for chairing or being a member of any Board Committee, during FY23.

Table 12. Non-Executive Director fees for FY23

Position	Fees for FY23 (Annualised)
Chairman	$240,000
Deputy Chairman	$160,000
Directors	$120,000
Committee chairman	$20,000
Committee member	$10,000

5.3 Legacy options held by Non-Executive Directors

As outlined in section 6.4.2.7 of Nuix's Prospectus, Non-Executive Directors Jeffrey Bleich and Sir Iain Lobban (via Cyberswift Ltd) each held 625,000 options over Nuix shares prior to completion of the IPO. Upon completion of the IPO, 375,000 of those options were cancelled for cash and 250,000 options remained on foot for each of them. Of these options (as outlined in table 16), 240,000 and 250,000 still remain on foot for Mr Bleich and Sir Lobban at year end respectively.

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

5.4 Non-Executive Directors – statutory remuneration

The fees paid or payable to the Non-Executive Directors of the Group in respect of FY23 are set out in the table on the next page. No fees paid or payable to the Non-Executive Directors of the Group were performance related.

Table 13. FY23 Non-Executive Directors statutory remuneration table

		Short-term benefits	Post-employment benefits	Share-based payments	
Non-Executive Director remuneration	**Financial year**	**Salary and fees $**	**Super-annuation $**	**Options $**	**Total $**
Robert Mactier	**FY23**	171,041	13,549	–	184,590
	FY22[1]	100,151	10,015	–	110,166
Jeffrey Bleich	**FY23**	211,607	–	–	211,607
	FY22	240,000	–	–	240,000
Sir Iain Lobban	**FY23**	126,306	–	–	126,306
	FY22	130,000	–	–	130,000
Sue Thomas	**FY23**	129,035	13,549	–	142,584
	FY22	136,364	13,636	–	150,000
Jacqueline Korhonen	**FY23**	126,697	13,303	–	140,000
	FY22[1]	91,332	9,133	–	100,465
Sara Watts (from 3 January 2023)	**FY23**	60,599	6,363	–	66,962
Alan Cameron (from 3 January 2023)	**FY23**	58,378	6,130	–	64,508
Daniel Phillips (until 31 August 2022)	**FY23**	–	–	–	–
	FY22	–	–	–	–
TOTAL	**FY23**	**883,663**	**52,894**	–	**936,557**
	FY22	**697,847**	**32,784**	–	**730,631**

1. Prior year only for part of the year that they were KMP.

6. REMUNERATION GOVERNANCE

6.1 Responsibility for setting remuneration

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

Nuix's remuneration governance framework

NUIX BOARD

The Board is responsible for the overall corporate governance, operation and stewardship of the Group and, in particular, for the long-term growth and profitability, the strategies, values, policies and financial objectives.
The Board reviews, challenges, applies judgment and, as appropriate, approves the Remuneration and Nomination Committee's recommendations. It approves the remuneration of Executive KMP and of Non-Executive Directors and the polices and frameworks that govern both.

REMUNERATION AND NOMINATION COMMITTEE

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

- ✓ the Group's Remuneration Policy (including as it applies to Non-Executive Directors);
- ✓ remuneration packages of senior executives equity-based incentive plans and other employee benefit programs;
- ✓ the process by which the pool of Non-Executive Directors' fees approved by shareholders is allocated to Directors, succession planning for the Board and senior executives and the recruitment of new Non-Executive Directors and senior executives;
- ✓ the appointment and re-election of people as members of the Board and its committees;
- ✓ the Group's recruitment, retention and termination policies;
- ✓ the process for the evaluation of the performance of the Board, its Board committees and individual Non-Executive Directors; and
- ✓ the size and composition of the Board and strategies to address Board diversity and the Group's performance in respect of the Group's Diversity Policy.

MANAGEMENT

Management is responsible for preparing proposals to be considered by the Remuneration and Nomination Committee on remuneration arrangements and outcomes.
Management also oversees the implementation of approved remuneration policies and processes.

EXTERNAL ADVICE

External advisers may be used from time-to-time to supplement the Remuneration and Nomination Committees own information and insights (as required) and to ensure the Committee is appropriately informed when discharging its obligations.

6.2 Use of remuneration consultants

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

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

No remuneration recommendations (as defined in section 9B of the Corporations Act 2001) were obtained during the financial year ended 30 June 2023.

6.3 Details of Executive Service Agreements

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

Table 14. Key terms of Executive KMP contracts in FY23

EXECUTIVE SERVICE AGREEMENTS

Elements	Details
Duration	Ongoing term
Periods of notice required to terminate	The Group or Executive KMP may terminate the contract by giving the following notice: ✓ CEO, COO/CFO and EVP APAC and Alliances – 6 months' written notice ✓ EVP EMEA and EVP Americas – 90 days' written notice For all Executive KMP, the Group may terminate the service agreement immediately without notice in certain circumstances, including (but not limited to) where the relevant Executive KMP engages in a serious breach of agreement or serious misconduct.
Termination payments	Members of the Executive KMP may be entitled to termination payments in limited circumstances and subject to local legislative requirements and practices (but not when the termination occurs for cause). A payment may be made in lieu of notice at the discretion of the Board where termination occurs other than for cause.
Restraints	All Executive KMP are subject to post-employment restraints as follows: ✓ CEO, EVP APAC and Alliances and EVP Americas: 12 months ✓ COO/CFO, EVP EMEA: 6 months

6.4 Treatment of equity arrangements for former EVP Americas

As outlined in section 1, former EVP Americas Ethan Treese concluded his employment with the Group on 30 September 2022. As part of his departure package no STI was awarded for his service for FY23 and only vested options remained on foot and all other options were cancelled (as outlined in Table 15).

7. FURTHER INFORMATION

7.1 Executive KMP and Director share ownership

Tables 14 and 15 below set out the number of shares held directly, indirectly or beneficially by KMP.

Table 15. Movements in shareholdings not held under an employee share plan

	Opening balance	Purchase of shares	Disposal of shares	Vesting of performance rights	Other changes	Balance 30 Jun 23
Non-Executive Directors						
Robert Mactier	175,000	–	–	–	–	175,000
Jeffrey Bleich	135,000	–	–	–	–	135,000
Sir Iain Lobban	–	–	–	–	–	–
Sue Thomas	315,300	–	–	–	–	315,300
Jacqueline Korhonen	–	–	–	–	–	–
Sara Watts	–	–	–	–	–	–
Alan Cameron	–	20,000	–	–	3,800[1]	23,800
Daniel Phillips (former)	–	–	–	–	–	–
Executive KMP						
Jonathan Rubinsztein	150,000	350,000	–	142,348	–	642,348
Chad Barton	–	–	–	42,016	–	42,016
Warren Brugger	–	–	–	–	–	–
Jonathan Rees	4,610	–	–	–	–	4,610
Michael Smith	–	–	–	–	–	–
Ethan Treese (former)	–	–	–	–	–	–

1. Held prior to being appointed as a Non-Executive Director.

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

	Instrument	Opening balance	Granted	Vested	Forfeited	Lapsed	Balance 30 Jun 23	Exercisable 30 Jun 23
Non-Executive Directors								
Robert Mactier	Options	–	–	–	–	–	–	–
Jeffrey Bleich	Options	240,000	–	–	–	–	240,000	240,000
Sir Iain Lobban[1]	Options	250,000	–	–	–	–	250,000	250,000
Sue Thomas	Options	–	–	–	–	–	–	–
Jacqueline Korhonen	Options	–	–	–	–	–	–	–
Sara Watts	Options	–	–	–	–	–	–	–
Alan Cameron	Options	–	–	–	–	–	–	–
Daniel Phillips (former)	Options	–	–	–	–	–	–	–
Executive KMP								
Jonathan Rubinsztein	Options	–	–	–	–	–	–	–
	Performance Rights	2,348,370[2]	–	142,368	–	–	2,206,022	–
Chad Barton	Options	–	–	–	–	–	–	–
	Performance Rights	543,871[3]	1,184,563	42,016	–	–	1,686,418	–
Warren Brugger	Options	–	–	–	–	–	–	–
	Performance Rights	–	641,314	–	–	–	641,314	–
Jonathan Rees	Options	420,041	–	–	–		420,041	–
	Performance Rights	–	149,628	–	–	–	149,628	–
Michael Smith	Options	–	–	–	–	–	–	–
	Performance Rights	–	819,307	–	–	–	819,307	–
Ethan Treese (former)	Options	408,206	–	–	250,412	–	157,794	–
	Performance Rights	–	–	–	–	–	–	–

1. Sir Iain Lobban holds options through Cyberswift Ltd, an entity incorporated in the United Kingdom.
2. Disclosure in the prior period closing balance excluded 1,308,424 Performance Rights as part of the FY22 STI and FY23 LTI, which for accounting purposes were considered to be granted as of 30 June 2022, subject to shareholder approval at the 2022 Annual General Meeting. The total balance of Performance Rights reflected in the table above for the opening balance comprises 110,230 Performance Rights FY22 STI (the equity settled component), 711,744 for the sign on Performance Rights, 1,286,764 for the FY23 LTI Performance Rights, and 239,632 for the FY22 LTI Performance Rights.
3. Disclosure in the prior period table closing balance included 207,895 Performance Rights as having been granted as part of the FY22 STI, however the amount of Performance Rights granted for the FY22 STI in September 2022 was 147,666 which has been included in the Granted column above.

7.2 Movement of securities

The only movement in options held by KMPs during the year was the forfeiture of 250,412 options held by Ethan Treese on the conclusion of his employment with the Group.

7.3 Other transactions and balances with KMP

A. Loans to Executive KMP

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

B. Other Executive KMP transactions

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

C. Other transactions

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

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 $000	2022 $000
Revenue	2.1	182,465	152,310
Cost of goods sold		(22,949)	(18,440)
Gross profit		**159,516**	**133,870**
Sales and distribution		(65,039)	(60,022)
Research and development		(58,382)	(47,811)
General and administration		(43,214)	(50,787)
Other income	2.4	1,319	1,230
Net realised and unrealised foreign exchange gains		735	1,045
Operating loss		**(5,065)**	**(22,475)**
Finance costs	2.5	(1,220)	(1,630)
Fair value gain on contingent consideration		1,011	–
Loss before income tax		**(5,274)**	**(24,105)**
Income tax (expense)/benefit	3.1	(315)	1,314
Loss for the year		**(5,589)**	**(22,791)**
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		4,074	7,873
Other comprehensive income, net of tax		**4,074**	**7,873**
Total comprehensive loss for the year, net of tax		**(1,515)**	**(14,918)**
Earnings per share			
Basic	2.7	(0.02)	(0.07)
Diluted	2.7	(0.02)	(0.07)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 30 JUNE 2023

	Notes	2023 $000	2022 $000
Current assets			
Cash and cash equivalents	4.1	29,588	46,846
Trade and other receivables (including contract assets)	4.2	68,534	50,813
Other current assets	4.3	7,323	8,098
Current tax assets	3.4	1,441	1,918
Total current assets		**106,886**	**107,675**
Non-current assets			
Deferred tax assets	3.3	3,958	3,326
Intangible assets	5.1	244,567	237,125
Property and equipment	5.2	2,944	3,040
Right-of-use assets	5.3	8,647	11,189
Trade and other receivables (including contract assets)	4.2	12,566	11,762
Total non-current assets		**272,682**	**266,442**
Total assets		**379,568**	**374,117**
Current liabilities			
Trade and other payables	4.4	28,655	23,742
Deferred revenue	4.5	38,998	32,544
Provisions	4.6	3,000	2,898
Lease liabilities	5.3	3,028	2,802
Other current liabilities	9.1	9,839	7,528
Total current liabilities		**83,520**	**69,514**
Non-current liabilities			
Deferred revenue	4.5	15,947	16,741
Provisions	4.6	1,171	1,017
Lease liabilities	5.3	8,088	10,848
Other non-current liabilities	9.1	–	6,930
Total non-current liabilities		**25,206**	**35,536**
Total liabilities		**108,726**	**105,050**
Net assets		**270,842**	**269,067**
Equity			
Issued capital	8.1	370,696	370,696
Reserves	8.2	(156,175)	(163,539)
Retained earnings		56,321	61,910
Total equity		**270,842**	**269,067**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	Issued capital $000	Share option reserve $000	Foreign currency translation reserve $000	Treasury share reserve $000	Retained earnings $000	Total equity $000
Balance at 1 July 2021	**370,696**	**(171,641)**	**(2,681)**	–	**84,701**	**281,075**
Profit for the year	–	–	–	–	(22,791)	(22,791)
Other comprehensive income	–	–	7,873	–	–	7,873
Total comprehensive income/(loss)	–	–	**7,873**	–	**(22,791)**	**(14,918)**
Transactions with owners						
Share-based payments	–	2,910	–	–	–	2,910
Balance at 30 June 2022	**370,696**	**(168,731)**	**5,192**	–	**61,910**	**269,067**
Balance at 1 July 2022	**370,696**	**(168,731)**	**5,192**	–	**61,910**	**269,067**
Profit for the year	–	–	–	–	(5,589)	(5,589)
Other comprehensive income	–	–	4,074	–	–	4,074
Total comprehensive income/(loss)	–	–	**4,074**	–	**(5,589)**	**(1,515)**
Transactions with owners						
Share-based payments	–	3,466	–	–	–	3,466
Treasury shares acquired	–	–	–	(176)	–	(176)
Treasury shares transferred to settle share-based payment arrangement	–	(176)	–	176	–	–
Balance at 30 June 2023	**370,696**	**(165,441)**	**9,266**	–	**56,321**	**270,842**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 $000	2022 $000
Cash flows from operating activities			
Receipts from customers		165,188	171,544
Payments to employees and suppliers		(132,366)	(141,298)
Interest received		19	1
Income tax paid	3.5	(277)	(385)
Net cash from operating activities	2.6	**32,564**	**29,862**
Cash flows from investing activities			
Payments for software development costs[1]		(37,233)	(40,500)
Purchase of property and equipment	5.2	(1,300)	(2,358)
Acquisition of Topos Labs, LLC, net of cash acquired	9.1	(6,890)	(6,861)
Net cash used in investing activities		**(45,423)**	**(49,719)**
Cash flows from financing activities			
Principal payments of lease		(2,880)	(2,727)
Interest paid[2]		(1,239)	(1,630)
Purchase of treasury shares		(176)	–
Net cash used in financing activities		**(4,295)**	**(4,357)**
Net change in cash and cash equivalents		(17,154)	(24,214)
Cash and cash equivalents at beginning of financial year	4.1	**46,846**	**70,865**
Exchange differences on cash and cash equivalents		(104)	195
Cash and cash equivalents at end of financial year	4.1	**29,588**	**46,846**

1 Prior year comparatives have been adjusted removing non-cash additions (share-based payment and depreciation expenses capitalised) to intangible assets of $1,888,000.

2 Interest paid has been reclassified as a financing activity as it relates primarily to leases recognised on balance sheet, and line fees for the CBA facility which was terminated in September 2022.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

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

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

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

1.1 Reporting entity

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

1.2 Basis of accounting

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

The financial statements were authorised for issue by the Board of Directors on 8 September 2023.

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

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

1.3 Going concern

At 30 June 2023, the Group is in a net current asset position of $23,366,000. At 30 June 2023, the Group had $29,588,000 available cash and cash equivalents (refer to Note 4.1). The financial statements have been prepared on a going concern basis.

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

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

- cash flow forecasts include the launch of new products and solutions, launch of new markets, growth in revenue supported by the continued investment in sales capability and product development along with significant unusual matters such as the settlement of contingent consideration for the Topos Labs acquisition, Rampiva acquisition, and ongoing legal fees;
- the Group outperformed its target in FY23 of being cash flow neutral, excluding the impact of non-operational legal fees and M&A activity, and is seeking a return to net cash inflows in FY24. There are risks to achieving this given forecast economic headwinds, foreign currency impact and broader business impacts of the litigation matters;
- recent results of operating activities undertaken aligned with the new Nuix strategy including price rises and an improving NDR% have been taken into account when setting revenue forecasts used to derive forecast cash receipts;

- the potential timing and quantum of any adverse outcomes from the current litigation action by the regulator as detailed in Note 9.6. In applying the assumptions and judgements, we have had regard to the penalty regime, views of our advisors and potential likelihood of outcomes;
- the litigation and claims underway, and the potential impact to the business should there be a significant adverse judgment in the cash forecast period. The Directors also have had regard to the Group's options to appeal any adverse judgement, should one arise, and associated usual appeal hearing timeframes. With the exception of legal fees, the forecasts do not include cash outflows related to any claims; and
- the Directors continue to assess debt financing options to provide medium- and long-term support for the business strategy. The Group has no current debt financing facilities and there is uncertainty of debt financing becoming available to the Group in the cash forecast period.

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

Further, the Group has prepared, and the Directors have considered a cash flow forecast which examines a range of alternate scenarios, in particular, as they relate to outcomes from the litigation matters.

Additional mitigants available include:

- the ability to reduce forecast operating expenditure to retain cash, aligning timing of reductions and preservation of cash to expected legal milestones. Potential reductions are through ceasing recruitment of new staff, managing consulting spend, delaying the development of new products, and/or other cost reduction measures. While the Directors have determined these can be implemented as required to scale back cash outflows, they may impact the ability of the Group to achieve its strategy; and
- in the event that it is required, the ability to raise equity from existing and or new shareholders based on known levels of interest and support.

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

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

1.4 Basis of consolidation

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

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

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired.

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

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity and the acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit and loss as a bargain purchase. Any goodwill that arises is tested annually for impairment.

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

1.4.1 *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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

1.4.2 *Transactions eliminated on consolidation*

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

1.5 Foreign currency transactions and balances

1.5.1 *Functional and presentation currency*

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

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

1.5.2 *Foreign operations*

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

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

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

1.6 New standards, interpretations and amendments adopted by the Group

A number of new or amended standards and interpretations became applicable for the current reporting period effective from 1 July 2022. The Group did not have to change its accounting policies or make retrospective adjustments to adopt these standards, as they did not have a significant impact on the Group's consolidated financial statements.

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

A number of new or amended standards and interpretations have been published that are not mandatory for 30 June 2023 full year reporting and have not been early adopted by the Group. When they are required to be adopted, they are not expected to have a significant impact on the Group's consolidated financial statements.

1.8 Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

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

- Going concern basis of preparation – Note 1.3;
- Revenue recognition – Note 2.1;
- Recoverability of tax assets – Note 3;
- Capitalisation and useful life of intangible assets – Note 5.1;
- Impairment testing of goodwill – Note 5.4;
- Share-based payment expense – Note 6.2;
- Measurement of contingent consideration – Note 9.1; and
- Contingent liabilities – Note 9.6.

1.9 Significant events and transactions

During the year ended 30 June 2023, central banks including the Reserve Bank of Australia have lifted the risk-free rate of interest. Notwithstanding this change in the macroeconomic environment, no impairment has been recognised against the intangible assets of the Group (refer to Note 5.4).

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

1.10 Financial instruments

1.10.1 *Recognition and initial measurement*

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

A financial asset (unless it is a trade receivable) or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition. Trade receivables without a significant financing component are initially measured at the transaction price.

1.10.2 *Derecognition*

Financial assets

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

Financial liabilities

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

1.10.3 *Offsetting*

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

1.10.4 *Impairment*

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

1.11 Goods and services tax

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

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

1.12 Employee share trust

The Group has formed a Trust to administer the Group's employee share scheme. This Trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group. Shares held by the Nuix Limited Employee Share Trust are disclosed as treasury shares and included in issued capital.

1.13 Classification of expenses

1.13.1 *Presentation of results*

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

1.13.2 *Cost of goods sold*

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

1.13.3 *Research and development expenses*

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

1.13.4 *Sales and distribution expenses*

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

1.13.5 *General and administration expenses*

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

1.13.6 *Overhead allocation*

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

1.14 Fair value measurement

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

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

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

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

Refer to Note 9.1 for fair value disclosures related to contingent consideration.

2. OPERATING RESULTS AND FINANCIAL PERFORMANCE NOTES

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

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

2.1 Revenue

	2023 $000	2022 $000
Software (including related support and maintenance)	176,691	146,418
Services	5,335	5,840
Revenue from events (sponsorship and ticket sales)	439	–
Hardware	–	52
	182,465	**152,310**

Disaggregation of revenue

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

Revenue by type

	2023 $000	2022 $000
Subscription licences	115,428	88,953
Perpetual licences	30,317	26,174
Consumption licences	30,946	31,291
Total licence revenues (including related support and maintenance)	**176,691**	**146,418**
Professional services	5,335	5,840
Revenue from events (sponsorship and ticket sales)	439	–
Hardware	–	52
Total other revenues	**5,774**	**5,892**
Total revenues	**182,465**	**152,310**

Timing of revenue recognition

	2023 $000	2022 $000
Point in time	114,933	94,094
Over time	67,532	58,216
	182,465	**152,310**

ACCOUNTING POLICIES

i. Revenue recognition

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

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

ii. Nature of products and services

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

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

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

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

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

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

A licence is a right to access software where:

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

iii. Support and maintenance revenue

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

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

iv. Professional services revenue

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

v. Sale of goods

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

vi. Costs of obtaining a customer contract

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

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

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

vii. Sales through partners

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

viii. Contract balances and other receivables

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

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

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

Significant judgements and assumptions

Determination of contract term

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

Contracts with multiple performance obligations

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

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

Recognition of revenue on sales made through partners

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

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

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

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

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

2.2 Segment information

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

Segment performance

	2023 $000	2022 $000
Software	176,691	146,418
Services	5,335	5,840
Revenue from events (sponsorship and ticket sales)	439	–
Hardware	–	52
Total revenue	**182,465**	**152,310**

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

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

	2023 $000	2022 $000
Net loss after tax	(5,589)	(22,791)
Less: Income tax (expense)/benefit	(315)	1,314
Loss before income tax	**(5,274)**	**(24,105)**
Add: Depreciation and amortisation	40,691	35,584
Add: Interest expense	1,220	1,630
Less: Net foreign exchange (gains)/losses	(735)	(1,045)
Less: Fair value gain on contingent consideration	(1,011)	–
EBITDA	**34,891**	**12,064**

Geographic Information

Revenue generated by location of customer[1]	2023 $000	2022 $000
Asia Pacific	41,698	34,479
Americas	91,740	82,708
Europe, Middle East and Africa (EMEA)	49,027	35,123
	182,465	**152,310**

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

Non-current assets by geographic location	**2023 $000**	**2022 $000**
Asia Pacific	143,400	134,928
Americas	128,137	129,492
Europe, Middle East and Africa (EMEA)	1,145	2,022
	272,682	**266,442**

2.3 Loss for the year

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

	Notes	**2023 $000**	**2022 $000**
Expenses (included in general and administration)			
Legal fees – operational		2,909	1,841
Legal fees – non-operational[1]		7,816	13,796
Bad debts expense		956	1,221
Low value/short term leases		1,018	313
Employee benefit expenses, inclusive of share-based payment expenses (recognised across functions)	6.1		
Sales and distribution		52,646	55,226
Research and development		25,156	13,950
General and administration		15,992	15,904
Depreciation and amortisation (recognised across functions)			
Sales and distribution		1,895	2,378
Research and development		36,688	31,948
General and administration		1,808	1,258
Cost of goods sold		300	–
Interest expense	2.5	1,220	1,630
Fair value gain on contingent consideration	9.1	(1,011)	–

1 Relates to costs for Group's defences to the actions brought as disclosed in Note 9.6, and legal advice for the acquisition of Topos Labs, LLC.

2.4 Other income

	2023 $000	**2022 $000**
Government grant income	1,080	1,157
Other income	239	73
	1,319	1,230

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

ACCOUNTING POLICIES – GOVERNMENT GRANTS

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

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

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

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

2.5 Finance costs

	2023 $000	2022 $000
Interest expense	1,220	1,630
	1,220	**1,630**

ACCOUNTING POLICIES – FINANCE COSTS

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

2.6 Reconciliation of cash flows from operating activities

	2023 $000	2022 $000
Cash flows from operating activities		
Loss for the year (before income tax)	(5,274)	(24,105)
Non-cash charges recognised in profit and loss:		
Depreciation	4,305	3,856
Amortisation of intangible assets	36,386	31,728
Amortisation of capitalised borrowing costs	14	66
Bad debts expense	956	1,221
Share-based payment expense	3,514	2,997
Net exchange rate differences	(34)	604
Fair value gain on contingent consideration	(1,011)	–
Changes in assets and liabilities:		
Decrease/(increase) in trade and other receivables	(19,584)	9,346
(Increase)/decrease in deferred tax asset	(156)	(257)
Increase in other current assets	713	(2,717)
Increase/(decrease) in trade and other payables	(2,585)	3,186
Increase/(decrease) in deferred revenue	5,758	3,247
Increase in employee benefits provisions	4,458	702
Decrease in current tax liabilities	(316)	(543)
Increase in other liabilities	5,371	–
Increase in provision for make good	49	531
Net cash from operating activities	**32,564**	**29,862**

2.7 Earnings per share

	2023 $000	2022 $000
Loss for the year	(5,589)	(22,791)
Weighted average number of ordinary shares (basic)	317,375,912	317,314,794
Basic earnings per share (in dollars)	**(0.02)**	**(0.07)**
Loss for the year	(5,589)	(22,791)
Weighted average number of ordinary shares (basic)	317,375,912	317,314,794
Shares issuable in relation to equity-based compensation scheme	9,595,860[1]	4,527,969
Effect of share options and performance rights	Antidilutive[2]	Antidilutive
Diluted weighted average number of ordinary shares	326,971,772	321,842,763
Diluted earnings per share (in dollars)	**(0.02)**	**(0.07)**

1 Comprises potential ordinary shares issuable in relation to performance rights. Options are only considered in the calculation of diluted earnings per share when the current share price exceeds the option exercise price (in the money options). Share options that remain on-foot and are fully vested have exercise prices higher than the current share price, and therefore do not give rise to potential ordinary shares that are used in the calculation of diluted earnings per share.

2 In the year ended 30 June 2023, the conversion of the options and performance rights on issue would reduce the loss per share.

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

As a result, the effect of share options and performance rights on diluted earnings per share is considered to be 'antidilutive' in the year ended 30 June 2023 (30 June 2022: Antidilutive).

ACCOUNTING POLICIES – EARNINGS PER SHARE

Basic earnings per share is calculated by dividing:

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

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

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

3. TAXATION OF OUR GLOBAL OPERATIONS

This section focuses on the taxation of our global operations.

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

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

3.1 Income tax expense/(benefit)

	2023 $000	2022 $000
Current tax expense		
Current tax on profits for the year	1,430	1,186
Changes in estimates related to prior years	(312)	(45)
Total current tax expense	**1,118**	**1,141**
Deferred tax expense		
Increase in deferred tax assets	(2,495)	(1,619)
Increase/(decrease) in deferred tax liabilities	1,075	(7,370)
Decrease in deferred tax assets (initially recognised directly in equity)	788[1]	788
Changes in estimates related to prior years	(171)	5,746
Total deferred tax benefit	**(803)**	**(2,455)**
Income tax expense/(benefit)	**315**	**(1,314)**

1. Section 40-880 deduction recognised and amortised over 5 years in respect to the IPO costs incurred in December 2020, for the portion that was recognised directly in equity.

3.2 Reconciliation of effective tax rate

	2023 $000	2022 $000
Loss before income tax expense	(5,274)	(24,105)
Tax at the Australian tax rate of 30% (2022: 30%)	(1,582)	(7,232)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment	32	46
Share-based payments	1,067	899
Interest expense	14	18
Difference in overseas tax rates	(861)	114
Benefit of Australia R&D tax credit amortised to other income	(324)	(347)
Benefit of United States R&D tax credit recognised in income tax expense	(968)	(924)
Benefit of Australia R&D tax credit recognised in income tax expense	(1,221)	(3,058)
Non-deductible R&D expenditures	951	2,383
Recognition of permanent benefits on R&D at 8.5%	270	675
Changes in estimates related to prior years – Nuix Limited	(183)	3,921
Changes in estimates related to prior years – Nuix North America and other subsidiaries	(130)	1,825
Deferred tax assets not brought to account – Nuix Limited[1]	2,610	–
Others	640	366
Income tax expense/(benefit)	**315**	**(1,314)**

1. Deferred tax assets have not been brought to account for the realised tax losses in Nuix Limited to the extent that they are not covered by deferred tax liabilities as the utilisation of the tax losses is not regarded as sufficiently probable at this stage.

3.3 Deferred tax balances

Deferred tax assets

	2023 $000	2022 $000
Research and development tax credit to carry forward	18,413	19,708
Employee benefits	2,088	1,814
Deferred revenue	6,990	4,670
Lease liabilities	2,562	3,174
Tax losses	16,384	10,188
s40-880 “black hole” deductions related to IPO costs	6,048	9,077
Others	92	2,239
Total deferred tax assets	52,577	50,870
Set-off deferred tax liabilities pursuant to set-off provisions	(48,619)	(47,544)
Net deferred tax assets	**3,958**	**3,326**

Deferred tax liabilities

	2023 $000	2022 $000
Intellectual property	45,233	44,018
Right of use assets	1,975	2,576
Property and equipment	1,411	950
Total deferred tax liabilities	48,619	47,544
Set-off deferred tax assets pursuant to set-off provisions	(48,619)	(47,544)
Net deferred tax liabilities	–	–

3.4 Current tax assets/(liabilities)

	2023 $000	2022 $000
Opening balance	1,918	(571)
Current income tax provision (net of tax credits)	(968)	(287)
Income tax payments	277	385
Changes in estimates related to prior years	154	2,367
Foreign exchange difference	60	24
Closing balance	**1,441**[1]	**1,918**

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

ACCOUNTING POLICIES – INCOME TAX

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

i. Current tax

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

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

ii. Deferred tax

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

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

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

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

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

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

iii. Accounting for Investment Tax Credits

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

iv. Uncertainty over income tax treatments

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

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

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

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

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

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

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

SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS

Recoverability of tax assets

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

Management have assessed all evidence available including historical utilisation patterns, anticipated timing of the reversal of deductible and taxable temporary differences and forecast future assessable income, and have concluded that it is not sufficiently probable that the uncovered deferred tax assets held by Nuix Limited will be utilised, and accordingly it has not been brought to account ($2,610,000).

3.5 Income tax paid by legal entity

	2023 $000	2022 $000
Nuix North America Inc	243	140
Nuix Ireland Ltd	1	89
Nuix Limited	4	63
Nuix Holding Pty	17	59
Nuix Philippines Regional Operating Headquarters	8	29
Nuix Pte. Ltd.	4	5
	277	**385**

3.6 Franking credits

Franking credits arising from the payments of income tax, by Nuix Limited in prior years until 30 June 2023 are represented below.

Franking credits attributable to the Company	2023 $000	2022 $000
Franking credits available for subsequent financial years based on a tax rate of 30% (2022: 30%)	**669**	**669**

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

- franking credits that will arise from the payment of the amount of the provision for income tax (2022: Nil);
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date (2022: Nil); and
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date (2022: Nil).

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

4. WORKING CAPITAL

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

4.1 Cash and cash equivalents

	2023 $000	2022 $000
Bank balances	29,588	46,846
Total cash and cash equivalents	**29,588**	**46,846**

ACCOUNTING POLICIES – CASH

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Refer to Note 1.10 for accounting policies and disclosures related to financial instruments.

4.2 Trade and other receivables (including contract assets)

	2023 $000	2022 $000
Trade receivables	41,634	29,309
Provision for impairment of trade receivables and unbilled revenue	(1,702)	(1,007)
Unbilled revenue	40,422	34,273
Other non-current investment (cash backed bank guarantee)	746	–
Total trade and other receivables	**81,100**	**62,575**

Presentation of balances

	2023 $000	2022 $000
Current	68,534	50,813
Non-current	12,566	11,762
Total trade and other receivables	**81,100**	**62,575**

Ageing of overdue receivables

	2023 $000	2022 $000
1 – 3 months	6,918	3,212
4 – 6 months	1,234	365
Over 6 months	736	1,232
	8,888	**4,809**

ACCOUNTING POLICIES – TRADE AND OTHER RECEIVABLES (INCLUDING CONTRACT ASSETS)

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

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

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

4.3 Other current assets

	2023 $000	2022 $000
Prepayments	5,504	6,164
Costs of obtaining contracts	1,485	1,650
Other receivables	334	284
Total other current assets	**7,323**	**8,098**

4.4 Trade and other payables

	2023 $000	2022 $000
Sundry payables and accrued expenses	22,397	16,626
Trade payables	4,215	5,311
Customer deposits	54	245
Payroll tax and other statutory liabilities	852	878
Indirect taxes payable	1,137	682
Total trade and other payables	**28,655**	**23,742**

ACCOUNTING POLICIES – TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year, which are unpaid. The amounts are unsecured and are usually paid in the normal course of business within 45 days of recognition or according to the payment agreement. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. Refer to Note 1.10 for accounting policies and disclosures related to financial instruments.

4.5 Deferred revenue

	2023 $000	2022 $000
Customer-related (contract liabilities)		
Support and maintenance on term licences	20,669	15,026
Term licences (billed) commencing post balance date	3,890	3,370
Support and maintenance on perpetual licences	16,077	14,862
Consumption income	7,510	8,189
Professional services income	3,060	2,922
	51,206	**44,369**
Tax incentive-related		
Research and development	3,739	4,916
Total deferred revenue	**54,945**	**49,285**

Movements during the year of tax incentive related deferred revenue

	2023 $000	2022 $000
Opening balance	4,916	5,395
Other income recognised in the current year	(1,080)	(1,157)
Additional research and development incentive	269	678
Changes in estimates related to prior years	(366)	–
Closing balance	**3,739**	**4,916**

Presentation of balances

	2023 $000	2022 $000
Current	38,998	32,544
Non-current	15,947	16,741
Total deferred revenue	**54,945**	**49,285**

Revenue recognised in the year included in the opening deferred revenue balance

Revenue recognised in the year that was included in the deferred revenue balance at the beginning of the year amounted to $30,211,000 (2022: $32,620,000).

Transaction price allocated to remaining performance obligations

Remaining performance obligations represents the total contractual commitments for which services will be performed. Remaining performance obligations include deferred revenue, which primarily consists of billings, unbilled receivables or payments received in advance of revenue recognition.

The transaction price allocated to remaining performance obligations is $63,814,000. Approximately 73.9% of the remaining performance obligations are expected to be recognised over the next 12 months with the remainder recognised thereafter.

4.6 Provisions

	2023 $000	2022 $000
Current		
Annual leave	2,704	2,547
Long service leave	296	351
	3,000	**2,898**
Non-current		
Long service leave	286	181
Make good obligation	885	836
	1,171	**1,017**

Movements in make good obligation during the year

	2023 $000	2022 $000
Make good obligation		
Opening balance	836	305
Charged to profit or loss	49	531
Closing balance	**885**	**836**

ACCOUNTING POLICIES – PROVISIONS

The current portion of these liabilities represents the Group's obligations to which the employee has a current legal entitlement. These liabilities arise mainly from accrued annual leave entitlements at the reporting date. A provision has been recognised for employee benefits relating to long service leave for employees. In calculating the present value of future cash outflows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits have been included in Note 6.1.

Nuix is required to restore the leased office at 1 Market Street in Sydney, Foster Plaza Building 3 in Holiday Drive Suite 300 in Pittsburgh, and Unit 201 Alameda Del Prado in Novato to the original condition at the end of the respective leases. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets.

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

4.7 Borrowing facility

Secured liabilities

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

Funding under the Cash Advance Facility was available under two tranches, being Tranche A for AUD $40,000,000 and Tranche B for USD $7,500,000. Accordingly, the available funding under the facilities as denominated in Australian dollars fluctuated from period to period, with $50,000,000 having been available under these facilities. The Company had not drawn on either of these facilities during the period up to its termination on 11 September 2022. The Company will continue to assess its ongoing liquidity requirements.

The company had a CBA bank guarantee for the amount of $746,460 to support Nuix Limited's obligation for a property lease for its headquarter in Australia. This obligation is now cash backed by the Group. Nuix Limited's obligations in respect to the bank guarantee are contingent only.

ACCOUNTING POLICIES – BORROWINGS

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

5. NON-CURRENT ASSETS

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

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

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

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

Nuix acquired Topos Labs, LLC during FY 2022, to further expand the capability of the Nuix Engine and related Nuix platform products in Natural Language Processing. Activities to complete integration of the capability of this acquired Intellectual Property with Nuix platform products are ongoing and anticipated to be completed in the short term, enabling Nuix to make available to customers of Nuix platform products occurred in earnest throughout FY2022 and FY2023, culminating in the General Availability release of Nuix Neo in July 2023.

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5.1 Intangible assets

Reconciliation of carrying amount

	Goodwill $000	External licenses $000	Brand $000	Intellectual property $000	Total $000
Year ended 30 June 2022					
Balance at 1 July 2021	4,145	111	666	192,493	197,415
Effect of movements in exchange rates – cost	384	140	62	8,993	9,579
Effect of movements in exchange rates – accumulated amortisation and impairment	–	(133)	(7)	(2,719)	(2,859)
Acquisition via business combination[1]	13,872	–	95	7,088	21,055
Additions	–	–	–	42,388	42,388
Transfers from other asset classification	–	1,275	–	–	1,275
Amortisation	–	(362)	(246)	(31,120)	(31,728)
Balance at 30 June 2022	**18,401**	**1,031**	**570**	**217,123**	**237,125**
Carrying amount at 30 June 2022					
At cost	18,401	3,786	823	336,222	359,232
Accumulated amortisation and impairment	–	(2,755)	(253)	(119,099)	(122,107)
Balance at 30 June 2022	**18,401**	**1,031**	**570**	**217,123**	**237,125**
Year ended 30 June 2023					
Balance at 1 July 2022	18,401	1,031	570	217,123	237,125
Effect of movements in exchange rates – cost	711	65	32	4,821	5,629
Effect of movements in exchange rates – accumulated amortisation and impairment	–	(64)	(14)	(1,663)	(1,741)
Additions	–	–	–	39,940	39,940
Amortisation	–	(348)	(210)	(35,828)	(36,386)
Balance at 30 June 2023	**19,112**	**684**	**378**	**224,393**	**244,567**
Carrying amount at 30 June 2023					
At cost	19,112	3,851	855	380,983	404,801
Accumulated amortisation and impairment	–	(3,167)	(477)	(156,590)	(160,234)
Balance at 30 June 2023	**19,112**	**684**	**378**	**224,393**	**244,567**

1 Following the Topos Labs acquisition, the US Dollar denominated balances of the intangible assets acquired as a part of the business combination are: Goodwill: US $9,536,000; Brand: US $65,000; Intellectual property: US $4,873,000.

ACCOUNTING POLICIES – INTANGIBLE ASSETS

i. Development costs recorded as Intellectual Property

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

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

ii. Goodwill

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

iii. External software licenses

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

iv. Subsequent expenditure

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

v. Amortisation

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

Class of intangible asset	Depreciation rate (per year)
External software	20% – 33%
Brand	25% – 100%
Intellectual Property	10% – 17%

SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS

Capitalisation and useful life of intangible assets

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

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

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5.2 Property and equipment

Reconciliation of carrying amount

	Office and computer equipment $000	Furniture and fixtures $000	Leasehold improvement $000	Total $000
Year ended 30 June 2022				
Balance at 1 July 2021	1,100	175	743	2,018
Effect of movements in exchange rates – cost	614	82	174	870
Effect of movements in exchange rates – accumulated depreciation	(591)	(76)	(145)	(812)
Additions	1,030	625	703	2,358
Disposals	–	–	–	–
Depreciation	(829)	(191)	(374)	(1,394)
Balance at 30 June 2022	**1,324**	**615**	**1,101**	**3,040**
Carrying amount at 30 June 2022				
At cost	12,665	1,734	4,750	19,149
Accumulated depreciation	(11,341)	(1,119)	(3,649)	(16,109)
Balance at 30 June 2022	**1,324**	**615**	**1,101**	**3,040**
Year ended 30 June 2023				
Balance at 1 July 2022	1,324	615	1,101	3,040
Effect of movements in exchange rates – cost	454	66	146	666
Effect of movements in exchange rates – accumulated depreciation	(426)	(45)	(115)	(586)
Additions	1,073	100	127	1,300
Disposals	–	–	–	–
Depreciation	(975)	(213)	(288)	(1,476)
Balance at 30 June 2023	**1,450**	**523**	**971**	**2,944**
Carrying amount at 30 June 2023				
At cost	14,192	1,900	5,023	21,115
Accumulated depreciation	(12,742)	(1,377)	(4,052)	(18,171)
Balance at 30 June 2023	**1,450**	**523**	**971**	**2,944**

ACCOUNTING POLICIES – PROPERTY AND EQUIPMENT

i. Recognition and measurement

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

ii. Subsequent expenditure

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

iii. Depreciation

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

Class of plant and equipment	Depreciation rate (per year)
Office and computer equipment	33%
Furniture and fixtures	20%
Leasehold improvements	Consistent with lease term (10-33%)

5.3 Leases

Amounts recognised in the balance sheet

	2023 $000	2022 $000
Right-of-use assets, net of depreciation	8,647	11,189
Lease liabilities		
Current	3,028	2,802
Non-current	8,088	10,848
Lease liabilities	**11,116**	**13,650**

Right-of-use assets	2023 $000	2022 $000
Balance at 1 July	11,189	9,036
Additions	–	4,536
Depreciation expense	(2,829)	(2,462)
Exchange difference	287	79
Balance at 30 June	**8,647**	**11,189**

Amounts recognised in profit and loss

	2023 $000	2022 $000
Depreciation charge of right-of-use assets	2,829	2,462
Interest expense (included in finance cost)	–	539
Expenses relating to short-term leases	1,011	248
Expenses relating to leases of low-value assets that are not shown above as short-term leases	7	65
	3,847	**3,314**

Amounts recognised in statement of cash flows

	2023 $000	2022 $000
Total cash outflow for leases	3,441	3,266

Extension options

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

The Group has estimated that the potential future lease payments, should it exercise the extension options across all leases where they are available, would result in an increase in lease liability of $6,053,000.

ACCOUNTING POLICIES – LEASES

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

A. As lessee

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

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

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

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

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

5.4 Impairment testing of non-financial assets

Reassessment of identification of CGUs

Management had previously identified that on the acquisition of Topos Labs, LLC that the group would have two CGUs until the completion of the integration of Topos Labs, LLC with the Nuix platform CGU. In May 2023, it was announced internally that the NLP team had formally joined their respective functional streams within Product, Engineering and Solution Consulting. Additionally it is anticipated that Nuix Neo (which is the product that embeds both the Nuix Engine and Nuix NLP functionality) will be available for General Availability in Q1 F24. As a consequence, management have determined that the Topos Labs, LLC CGU no longer exists, and it has been subsumed into the Nuix platform CGU.

	2023 $000	2022 $000
Goodwill allocated to Nuix platform CGU	19,112	16,873
Goodwill allocated to the Topos Labs CGU	–	1,528
	19,112	**18,401**

Key assumptions in the Nuix platform CGU discounted cash flow model

A value-in-use discounted cash flow model has been used at 30 June 2023 to determine the recoverable amount of the Nuix platform CGU. This model includes projected revenues, gross margins and expenses which have been determined with reference to historical company experience, industry data and management's expectation of the future over a five-year period, with a perpetuity growth rate beyond that. In modelling forecast revenues, gross margins and expenses for the Group, management have used the FY2024 board-approved budget as an input. The perpetuity growth rate was set consistent with consensus views on long term GDP growth rates.

The following inputs and assumptions have been adopted:

	2023	2022
Post-tax discount rate per annum	11.5%	10.6%
Pre-tax discount rate per annum	16.4%	15.1%
Long-term perpetuity growth rate	2.5%	2.5%

Sensitivity analysis

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

For the Nuix platform CGU, although the recoverable amount exceeds the carrying amount by more than $100 million, impairment testing is sensitive to changes in the discount rate. An increase in the post-tax discount rate above 16.7% would cause the carrying amount of the Nuix platform CGU to exceed its recoverable amount. If NDR on renewals for term-based licenses was 105% rather than 110% (pre-churn) as is the base case assumption this would cause the carrying amount of the Nuix platform CGU to exceed the recoverable amount. However, given ACV performance in FY23, and the commission plan structure, having a Group-wide NDR on renewals of 105% is not considered to be a likely scenario.

ACCOUNTING POLICIES – IMPAIRMENT TESTING OF NON-FINANCIAL ASSETS

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

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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

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

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

SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS

Impairment testing of goodwill

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

Management have concluded that previously whilst the Intellectual Property from the Topos Labs acquisition was yet to be fully integrated into the Nuix platform until sales of an integrated solution are made to customers, the cash inflows from the Topos Labs acquisition are substantially independent of those for the rest of the Nuix platform. Accordingly, from the date of the acquisition of Topos, management had identified that the Group had two CGUs. Management have now determined that these integration activities have been completed; and accordingly the Topos Labs CGU has been combined with the Nuix platform CGU.

Management have prepared a value-in-use model for the Nuix platform CGU which is based upon the financial plans approved by the Board for the year ending 30 June 2024, the closing balance sheet for the year ended 30 June 2023, expectations around realisation of assets and settlements of liabilities on balance sheet as of 30 June 2023, projected revenues, gross margins and expenses determined with reference to historical company experience, industry data and management's expectations for the future. This model determined a recoverable amount in excess of the carrying amount of the Nuix platform CGU, and accordingly no impairment has been recognised.

6. REMUNERATION

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

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

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

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

6.1 Employee benefit expenses

	2023 $000	2022 $000
Wages and salaries		
Sales and distribution	51,530	53,830
Research and development[1]	22,815	13,112
General and administration	15,935	15,141
	90,280	**82,083**
Share-based payment expenses		
Sales and distribution	1,116	1,396
Research and development	2,341	838
General and administration	57	763
	3,514	**2,997**

1. Wages and salaries expense disclosed for the research and development function presented above are net of amounts required to be capitalised as development costs to intangible assets.

Wages and salaries capitalised as development costs to intangible assets totalled $33,672,000 during the year ended 30 June 2023 (2022: $33,094,000), with the remaining amounts capitalised being directly attributable costs and incremental overheads of development activities.

ACCOUNTING POLICIES – EMPLOYEE BENEFIT EXPENSES

i. Short-term obligations

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

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

ii. Defined contribution superannuation plans

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

iii. Other long-term employee benefits obligations

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

iv. Share-based payments

Share-based compensation benefits are provided to employees via the Nuix Employee Incentive Plan. The fair values of options granted under the plans are recognised as a share-based payments expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes the impact of any market vesting conditions.

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

6.2 Share-based payments

Instruments on issue	30 Jun 2023	30 Jun 2022
Options	3,094,383	4,527,969
Performance Rights	9,595,860[1]	1,024,634[2]

1. Includes performance rights related to FY24 minimum revenue, EBITDA, and ACV growth targets for CEO and COO/CFO, sign-on performance rights for KMP and non-KMP executives granted upon sign-on in FY2023, and special performance rights for key staff members granted in FY23. Excludes contingently issuable shares for Topos Retention Recipients, as the number of shares is determined with reference in part to the 5-Day VWAP prior to the date before an Earnout Payment is made, should an earnout payment indeed be achieved, and hence remaining number of shares to be granted is undetermined at this point in time.

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

Details related to the performance rights are as follows:

Grant name/employees entitled	Number of instruments	Vesting condition	Vesting date
Performance rights with performance hurdles			
Performance rights granted to KMP			
FY22 LTI performance rights granted to CEO and COO/CFO	573,419	Minimum revenue, EBITDA targets and employment	31 Aug 2024 31 Aug 2025 31 Aug 2026
FY23 LTI performance rights granted to executive KMP	2,930,966	ACV growth and employment	31 Aug 2023 31 Aug 2024 31 Aug 2025
Performance rights granted to non-KMP			
FY23 LTI performance rights	773,922	ACV growth and employment	31 Aug 2024 31 Aug 2025
March 2023 Special performance rights grant	2,931,206	ACV growth and employment	31 Aug 2024 28 Feb 2025
Performance rights with no performance hurdles			
FY22 STI performance rights granted to CEO and COO/CFO	257,896	Employment	
Performance rights granted to KMP	1,740,408	4 years service from grant date	
Performance rights granted to non-KMP	388,043	4 years service from grant date	
Total performance rights on issue	**9,595,860**		

Reconciliation of the number of options and performance rights is provided below:

	Options		Performance Rights	
	1 Jul 2022 to 30 Jun 2023	1 Jul 2021 to 30 Jun 2022	1 Jul 2022 to 30 Jun 2023	1 Jul 2021 to 30 Jun 2022
Opening balance (1 July)	4,527,969	4,827,141	1,024,634	643,273
Grant under ESOP	–	322,740	–	1,024,634
Cancellation	–	–	–	–
Forfeitures	(1,433,586)	(621,912)	–	(643,273)
Performance rights granted	–	–	5,008,253	–
Grant under LTIP	–	–	3,747,337	–
Exercised	–	–	(184,364)	–
Closing balance (30 June)	**3,094,383**	**4,527,969**	**9,595,860**	**1,024,634**

A. Employee Share Option Plan (ESOP)

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

Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

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

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

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

Following the exercise of the options, a vested option is converted into one ordinary share within a certain number of business days as determined by the plan rules. The exercise price of options is determined by a combination of internal and external valuation methodologies and presided over by the Board.

B. Fair value of options granted

There were no options granted in FY2023. The fair value of each grant at grant date is independently determined using an adjusted form of the Black-Scholes Model that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the option and the correlations and volatilities of the peer group companies. Options are granted for no consideration and vest over different periods depending on terms.

The model inputs for options granted during the year ended 30 June 2022 included:

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

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

C. Fair value of performance rights granted

The assessed fair value at grant date of the performance rights granted during the year was determined with reference to the fair value of shares on grant date, adjusted for any expected dividend included in the share price as of grant date. As there were no dividends expected to be paid between grant date and vesting date no adjustment to the share price on grant date is required in determining the fair value of performance rights. These performance rights issued to date with the exception of the Topos Retention Recipients do not have market-based performance hurdles, which would necessitate a Monte Carlo simulation.

There were 7,891,164 performance rights granted during the year with a grant date fair value between $0.69 and $1.08 which are linked to service requirements that conclude between release of the FY23 Group results and November 2027.

D. Reconciliation of outstanding share options

	1 Jul 2022 to 30 Jun 2023		1 Jul 2021 to 30 Jun 2022	
Reconciliation	**Number of options**	**Weighted-average exercise price**	**Number of options**	**Weighted-average exercise price**
Opening balance (1 July)	4,527,969	$4.72	4,827,141	$5.03
Granted during the year	–	–	322,740	$4.34
Forfeitures during the year	(1,433,586)	$5.30	(621,912)	$5.58
Outstanding at 30 June	3,094,383	$4.42	4,527,969	$4.72[1]
Exercisable at 30 June	1,103,721	$5.08	128,778	$2.48

The options outstanding at 30 June 2023 had an exercise price in the range of $2.00 to $5.79 (2022: $2.00 to $5.79) and a weighted-average contractual life of 3.5 years[1] (2022: 4.8 years[1]).

1. Exercise price for the 453,273 options held by Mr Sheehy as of 30 June 2023 in the above disclosure is $2.00. Impact of options held by Mr Sheehy excluded from assessment of weighted-average contractual life remaining. Subsequent to year end the 453,273 options which had been subject to the Sheehy litigation were cancelled, refer Note 9.7.

SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS – SHARE-BASED PAYMENT EXPENSE

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

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

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

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

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

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

6.3 KMP Remuneration

	2023 $	2022 $
Short-term employee benefits	5,067,939	3,698,177
Share-based payment expense	2,052,716	1,186,934
Termination benefits	440,326	350,000
Post-employment benefits	150,919	119,049[1]
Long-term benefits	–	39,976
Total	**7,711,900**	**5,394,136**

1. In the prior corresponding period, an amount of $119,049 relating to superannuation contribution guarantee payments has been reclassified to from long-term benefits to post-employment benefits.

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.

Share-based payment expense

Share-based payment expense represents the expensing over the vesting period at the fair value of share rights at grant date.

Post-employment benefits

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

Other long-term benefits

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

7. FINANCIAL RISKS

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

7.1 Financial risk management

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

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

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

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

A. Market risk

i. Foreign exchange risk

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

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

			2023			2022
	USD	**EUR**	**GBP**	**USD**	**EUR**	**GBP**
Cash and cash equivalents	5,368	786	507	4,561	11,705	2,770
Trade receivables	2,605	702	1,588	3,870	240	2,315
Trade payables	485	97	–	919	137	–

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

Sensitivity

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

		2023		2022
AUD $000's	**Effect on equity**	**Effect on PBT**	**Effect on equity**	**Effect on PBT**
USD	+/- 3,345	+/- 749	+/- 2,942	+/- 751
GBP	+/- 903	+/- 210	+/- 887	+/- 508
EUR	+/- 942	+/- 139	+/- 1,071	+/- 1,181

B. Credit risk

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

For all customers in all instances the Group retains title over the software. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

Trade receivables and contract assets

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

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

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

On that basis, the loss allowance as at 30 June 2023 and 30 June 2022, expressed in thousands of Australian dollars was determined as follows for both trade receivables and contract assets:

	2023			2022		
	Balance ’000	**Expected Loss Rate**	**Loss Allowance ’000**	**Balance ’000**	**Expected Loss Rate**	**Loss Allowance ’000**
Current	32,746	0.6%	199	24,487	0.8%	208
30 days	4,911	0.9%	42	1,322	0.9%	12
60 days	1,394	3.9%	54	820	3.0%	25
90 days	613	7.7%	47	1,069	6.5%	70
Over 90 days	931	9.5%	88	1,490	25.8%	384
Specific provision[1]	1,039	100.0%	1,039	121	100.0%	121
Total	**41,634**		**1,469**	**29,309**		**820**
Unbilled receivables	40,422	0.6%	233	34,273	0.5%	187
Other non-current investment (cash-backed bank guarantee)[2]	746	– %	–	–	– %	–
Total	**82,802**		**1,702**	**63,582**		**1,007**

1 As at 30 June 2023 there were $1,039,000 of specifically identified impaired debtors, that have been provided for but not written off (30 June 2022: $121,000).

2 Non-current deposits relating to bank guarantee that is cash-backed by the Group, and therefore not subject to expected credit loss.

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

	2023 $000	**2022 $000**
As at 1 July	1,007	1,565
Increase in loss allowance recognised in profit or loss during the year	1,389	1,369
Receivables written off during the year as uncollectible	(283)	(1,843)
Unused amount reversed	(433)	(120)
Foreign exchange difference	22	36
As at 30 June	**1,702**	**1,007**

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due. Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

C. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash in conjunction with the availability of funding through 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 $29,588,000 (2022: $46,846,000).

Management monitors rolling forecasts of the Group's liquidity reserve as discussed above and cash and cash equivalents (Note 4.1) on the basis of forecasted cash flows. This is carried out at a Group level by Corporate Services. In addition, the Group's liquidity management approach involves projecting cash flows and considering the level of liquid assets necessary to meet obligations and ongoing monitoring of balance sheet liquidity against internal requirements.

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

Contractual maturities of financial liabilities	Less than 6 months $000	6-12 months $000	Between 1-3 years $000	More than 3 years $000	Total $000	Carrying amount $000
At 30 June 2023						
Trade and other payables	28,655	–	–	–	28,655	28,655
Lease liabilities	1,505	1,487	4,675	4,160	11,827	11,116
Other liabilities	3,712	6,377	–	–	10,089	9,839
	33,872	**7,864**	**4,675**	**4,160**	**50,571**	**49,610**
At 30 June 2022						
Trade and other payables	23,742	–	–	–	23,742	23,742
Lease liabilities	1,690	1,705	5,894	5,722	15,011	13,650
Other liabilities	7,536	600	6,419	–	14,555	14,458
	32,968	**2,305**	**12,313**	**5,722**	**53,308**	**51,850**

8. BUSINESS STRUCTURE

This section focuses on the structure of the Group, specifically movements in issued capital and reserves.

8.1 Issued capital

Movements in ordinary shares	2023 Shares	2022 Shares	2023 $000	2022 $000
Opening balance	317,314,794	317,314,794	370,696	370,696
Shares issued – Employee performance rights	184,364	–	–	–
Closing balance	**317,499,158**	**317,314,794**	**370,696**	**370,696**

Ordinary shares participate in dividends and the proceeds upon winding up of the Company, proportionately to the shareholding. At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. The issued shares do not have a par value.

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

8.2 Reserves

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Share option reserve

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

Treasury share reserve

The reserve for the Company's treasury shares comprises the cost of the Company's shares acquired and transferred to settle share-based payment arrangement.

Movements in reserves	**2023 $000**	**2022 $000**
Share option reserve		
As at 1 July	(168,731)	(171,641)
Share-based payments arrangement	3,466	2,910
Settlement of share-based payments arrangement	(176)	–
As at 30 June	**(165,441)**	**(168,731)**
Foreign currency translation reserve		
As at 1 July	5,192	(2,681)
Foreign currency translation reserve	4,074	7,873
As at 30 June	**9,266**	**5,192**
Treasury share reserve		
As at 1 July	–	–
Treasury shares acquired	176	–
Less: Shares transferred to settle share-based payments arrangement	(176)	–
As at 30 June	–	–
Total Reserves	**(156,175)**	**(163,539)**

ACCOUNTING POLICIES – ISSUED CAPITAL

Ordinary shares

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

Repurchase and reissue of ordinary shares (treasury shares)

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity.

9. OTHER

This section provides information that is not directly related to specific line items in the financial statements, including information about dividends, related party transactions, auditor's remuneration, events after the reporting date and other statutory information.

9.1 Other liabilities

	2023 $000	2022 $000
Contingent consideration	6,188	7,528
Other payables	3,651	–
Other current liabilities	**9,839**	**7,528**
Contingent consideration	–	6,330
Other non-current liability	–	600
Other non-current liabilities	**–**	**6,930**

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

Other payables

Included in other payables is an amount of $3,051,000 in relation to reverse factoring arrangement that provides Nuix with predictable monthly payments for insurance premiums covering the period December 2022 until December 2023. The arrangement does not significantly extend the payment terms beyond normal terms agreed with other suppliers for insurance coverage that is received and used on a ratable basis.

Contingent consideration payable

The Group has recognised a liability measured at fair value as of 30 June 2023 in relation to contingent consideration arising out of the acquisition of Topos Labs, LLC. The contingent consideration arising is deemed to be a Level 3 measurement of fair value, which will be paid over various periods from the acquisition date. It has been discounted accordingly based on estimated time to complete a number of milestones including the successful achievement of revenue, staff retention and product development milestones which include the integration of the acquired Intellectual Property with the Nuix platform.

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

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

Contingent consideration	2023 $000	2022 $000
Opening balance	13,856	–
Additions	–	12,999
Foreign exchange difference	165	767
Change in fair value estimate	(1,011)	–
Unwinding of interest	68	90
Cash payments	(6,890)	–
Closing balance	**6,188**	**13,856**

The effect on profit and loss for the year is due to unwinding of interest on the contingent consideration, and change in fair value estimates due to reassessments of achievability of earnout milestones post-acquisition as indicated in the above reconciliation, which are recognised in finance costs.

During the year it was determined that certain milestones were achieved and in accordance with the Equity Purchase Agreement, an amount of USD $6,250,000 was paid in January 2023, of which USD $4,797,000 was paid for the business acquisition (and formed part of the contingent consideration for the acquisition) and USD $1,454,000 was paid in relation to post-combination employee benefits (recognised in profit and loss post-acquisition in line with provision of services).

Sensitivity

The fair value measurements of the remaining milestones are sensitive to reasonably possible changes in unobservable inputs to their measurement, including the time frame over which milestones may (or may not) be achieved; the successfulness of integration of the acquired Intellectual Property with the Nuix platform; and the pace at which commercial activities in relation to the Nuix NLP product proceed.
The remaining milestones that are yet to be subject to final determination of completion percentages have a total value of USD $12,250,000 comprising of 6 milestones with amounts between USD $375,000 and USD $6,000,000.

It is noted that 76.75% of the milestone payments are consideration for the business combination and hence subject to fair value measurement (and to the extent considered achievable included in the closing balance of the table above, net of interest to be unwound), and 23.25% of the milestone payments are related to post acquisition employee benefit arrangements subject to recognition in profit and loss over time as services are rendered to Nuix.

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

9.2 Dividends

During the year the Directors did not declare an interim dividend (2022: Nil) and have not recommended a final dividend be paid after 30 June 2023 (2022: Nil).

9.3 Related party disclosures

A. Parent entity

The ultimate and parent entity within the Group is Nuix Limited.

B. Interests in other entities

Name of entity	Place of business/ country of incorporation	Ownership interest held by the Group 2023	Ownership interest held by the Group 2022	Ownership interest held by non-controlling interests 2023	Ownership interest held by non-controlling interests 2022	Principal activities
Nuix North America, Inc	USA	100%	100%	–	–	Sale of Licences
Nuix Ireland Ltd	Ireland	100%	100%	–	–	Sale of Licences
Nuix Pte Ltd	Singapore	100%	100%	–	–	Sale of Licences
Nuix Holding Pty Ltd	Australia	100%	100%	–	–	Holding Company
Nuix SaleCo Limited	Australia	100%	100%	–	–	Holding Company
Nuix Limited Employee Share Trust	Australia	100%	–	–	–	Discretionary Investment Trust
Nuix USG Inc.	USA	100%	100%	–	–	Sale of Licences
Nuix Technology UK Ltd	UK	100%	100%	–	–	Sale of Licences
Nuix Philippines ROHQ	Philippines	100%	100%	–	–	Business Support
Topos Labs, LLC	USA	100%	100%	–	–	Sale of Licences

C. Transactions with other related parties

Macquarie Corporate Holdings

Macquarie Corporate Holdings has an interest of 30% in Nuix (2022: 30%), which allows it to exercise significant influence over the Group. As a result, Macquarie Corporate Holdings and by extension all related entities of Macquarie Group Limited, are related parties to Nuix.

Alliance agreement license

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

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

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

Amounts recognised in revenue during the year ended 30 June 2022 under the agreements were as follows:

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

In the year ended 30 June 2023, a further $239,792 was recognised as revenue from the provision of support and maintenance during this 12-month portion of the 3-year extension.

As of 30 June 2023, $339,705 remains as deferred revenue in relation to the ongoing support and maintenance which will be recognised on a rateable basis until 5 December 2024.

Legal fees claimed under indemnity

Macquarie Capital Australia Limited has claimed $1,791,910 in relation to legal fees under the indemnity provided by Nuix Limited to them under the terms of the Underwriting Agreement. This amount has not been paid.

		2023 $		2022 $
	Transaction	**Outstanding balance**	**Transaction**	**Outstanding balance**
Sale and purchases of goods and services				
Sale of license to related parties	50,311	834,936	1,961,861	1,802,201
Support and maintenance	239,792	–	186,579	–
Rendering of professional service	8,360	–	4,703	–
Other arrangements				
Legal fees claimed under indemnity	1,791,910	1,791,910	–	–

9.4 Auditor's remuneration

	2023 $	2022 $
Audit and review services		
Auditors of the Group – KPMG		
Audit and review of financial statements – Group	754,000	495,000
Audit and review of financial statements – controlled entities	82,050	78,000
	836,050	573,000
Other auditors		
Audit and review of financial statements – controlled entities	16,793	25,244
Assurance services		
Auditors of the Group – KPMG		
Other assurance services	42,000	–
Other services		
Auditors of the Group – KPMG		
Taxation advice and tax compliance services	–	8,000
Advisory services	92,000	188,616
Other auditors		
Taxation advice and tax compliance services	4,001	32,654

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

9.5 Parent or the Company financial information

	2023 $000	2022 $000
Current assets	30,303	35,343
Non-current assets	231,292	219,617
Total assets	261,595	254,960
Current liabilities	8,494	990
Non-current liabilities	9,552	3,850
Total liabilities	18,046	4,840
Net assets	**243,549**	**250,120**
Equity		
Issued capital	370,696	370,696
Share option reserve	(165,433)	(168,722)
Retained earnings	38,286	48,146
Total equity	**243,549**	**250,120**
Loss for the year	**(10,036)**	**(20,609)**

Determining the parent entity financial information

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except in so far as investments in subsidiaries are recognised at cost.

9.6 Contingent Liabilities

On the basis that Group has determined the below matters to be contingent liabilities, no liabilities have been recognised in the financial statements in relation to these matters.

ASIC proceedings

As previously disclosed to the market, ASIC conducted an investigation in relation to potential contraventions of the *Corporations Act 2001* (Cth) concerning Nuix. ASIC's investigations relevantly concerned: 1) the financial statements of Nuix Limited for the period ending 30 June 2018, 2019 and 2020; 2) Nuix's prospectus dated 18 November 2020; and 3) Nuix's market disclosures in the period between 4 December 2020 to 31 May 2021 (**Continuous Disclosure Conduct**).

As advised to the market on 10 February 2022, ASIC notified Nuix that it had completed the aspects of its investigation relating to points 1) and 2) above and had determined that it will not take any further action in relation to those matters.

In relation to the Continuous Disclosure Conduct, and as advised to the market on 29 September 2022, ASIC commenced civil proceedings in the Federal Court against the Company and its directors during the period 18 January 2021 to 21 April 2021. ASIC alleges that aspects of the Company's market disclosure in that period contravened provisions of the Corporations Act and ASIC Act, and that the relevant directors breached their duties in respect of that disclosure. In particular, ASIC claims that the Company's disclosure of its Annualised Contract Value (**ACV**) and statutory revenue performance as against forecasts were deficient. ASIC seeks declarations in respect of the alleged contraventions, pecuniary penalties against Nuix and pecuniary penalties and disqualification orders against the relevant directors.

Nuix has fully cooperated with ASIC during the course of its investigation into these matters. Nuix denies the allegations made by ASIC and filed its defence to the claim on 23 December 2022. The matter has been listed for a final hearing on liability from 20 November 2023 to 15 December 2023.

ASIC Investigation

As previously disclosed to the market, ASIC is conducting an investigation into the acquisition of Nuix shares by its CEO in early September 2022 and Nuix's response to an ASX enquiry, relating to those circumstances released on 14 September 2022.

The CEO's acquisition of Nuix shares took place with prior approval and during an approved trading window. Nuix has fully cooperated with ASIC during the course of its investigation.

Class Action

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

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

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

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

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

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

Nuix denies the allegations contained in the consolidated claim and filed its defence on 4 November 2022. The Second and Third Defendants (Macquarie Capital (Australia) Limited and Mr Daniel Phillips) have also filed defences denying the allegations contained in the consolidated claim. The matter has not been set down for a hearing.

Bank guarantee

The Company had obtained a bank guarantee in the amount of $746,460 to secure certain obligations of the Company that arise under a commercial property lease. Subsequent to the termination of the Facility Agreement with the Commonwealth Bank of Australia in September 2022, this obligation is now cash backed by the Group.

ACCOUNTING POLICIES – CONTINGENT LIABILITIES

A provision is recognised when:

- there is a legal or constructive obligation arising from past events or, in cases of doubt over the existence of an obligation (e.g. a court case), when it is more likely than not that a legal or constructive obligation has arisen from a past event;
- it is more likely than not that there will be an outflow of benefits; and
- the amount can be estimated reliably.

In some cases, it may be disputed whether certain events have occurred or, particularly in the case of a legal claim, it may be disputed whether there is an obligation even if it is clear that there is a past event. In such cases of uncertainty, a past event is deemed to give rise to a present obligation if, after taking account of all available evidence, it is more likely than not that a present obligation exists at the reporting date. Otherwise, such an obligation is a contingent liability.

Contingent liabilities are not recognised in the statement of financial position except for certain contingent liabilities that are assumed in a business combination. Contingent liabilities are reviewed continuously to assess whether an outflow of resources has become probable. If the recognition criteria are met, then a liability is recognised in the statement of financial position in the period in which the change in probability occurs.

If a present obligation relates to a past event, the possibility of an outflow is probable and a reliable estimate can be made, then the obligation is not a contingent liability, but instead is a liability for which a provision is required to be recognised.

Contingent liabilities are disclosed unless the likelihood of an outflow of resources embodying economic benefits is remote.

SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS

Assessing whether past events give rise to present obligations

In determining the accounting for matters where there is a potential outflow of benefits, the key judgements and assumptions required to be made relate to whether an obligation has arisen.

Where on balance it has not been determined that it is more likely than not that a present obligation for an outflow of benefits exists at reporting date, such a liability is a contingent liability.

As contingent liabilities are generally not recognised in the statement of financial position (except for those assumed in a business combination), concluding that it is not more likely than not that a present obligation does exist, has the result that no accounting entries are booked and there is no impact reported in profit or loss.

9.7 Events after the reporting date

On 3 July 2023, the Group announced that it achieved financial close on the acquisition of Rampiva (Rampiva Global, LLC and Rampiva Technology, Inc.), having previously announced on 23 May 2023 that it had entered into an agreement to acquire all the shares in Rampiva, a workflow automation and job scheduling software provider. The control over Rampiva was obtained when financial close was completed. Rampiva is used by customers where the cost, ease and administration of hyper-scale data processing is no longer sustainable manually. The initial cost of the acquisition was USD $2.0 million in cash and USD $2.0 million in Nuix newly issued shares, which was paid on financial close. Up to a further USD $3.0 million in Nuix shares will be issued if Rampiva achieves ACV growth and cost management milestones for the three years post-acquisition. The transaction brings to the Group the Rampiva team, technological capabilities, and cross-sell and growth opportunities for both Nuix and Rampiva customers. Management is in the process of finalising the accounting for the acquisition, including the determination of fair value of the identified acquired assets and assumed liabilities, and the determination of the fair value of the consideration for the business combination, given the timing of the acquisition relevant to the completion of these accounts.

On 22 August 2023, the Group announced it has resolved the proceedings with Mr Edward Sheehy, in reference to its announcements dated 7 February 2023 and 8 March 2023 in connection with the Federal Court of Australia proceedings commenced by Mr Sheehy. As identified in those announcements, on 7 February 2023 the Federal Court dismissed Mr Sheehy's claims. In March 2023 Mr Sheehy lodged a Notice of Appeal in relation to aspects of that decision. The Appeal was scheduled to be heard on 23 August 2023. The Group can confirm that it has resolved the proceedings with Mr Sheehy on the basis that the Appeal be dismissed, Mr Sheehy's share options to acquire Nuix shares will be cancelled and that Mr Sheehy make a contribution of $700,000 towards Nuix's legal costs associated with the proceedings.

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

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Nuix Limited, we state that:

1. In the opinion of the Directors of Nuix Limited (the 'Company'):

   a) the consolidated financial statements and notes that are set out on pages 63 to 111 and the Remuneration Report on pages 40 to 61, are in accordance with the Corporations Act 2001, including:

      i) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and

      ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

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

2. The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2023.

3. The Directors draw attention to Note 1.2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

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

Robert Mactier
Chair

Sydney, Australia
8 September 2023

Jonathan Rubinsztein
Director

Sydney, Australia
8 September 2023

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS

For personal use only

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Independent Auditor's Report

To the Shareholders of Nuix Limited

Opinion

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

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

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2023
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

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

Basis for opinion

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

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

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

Key Audit Matters

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

- Going concern basis of accounting
- Valuation of intangible assets
- Revenue recognition
- Capitalisation of development costs as Intellectual Property

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

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Going concern basis of accounting

Refer to Note 1.3 to the financial report

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

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expectations; • the Group's planned levels of operational expenditures, in particular those relating to investment in sales capability and product development, and the contingent consideration of recent acquisitions and legal costs relating to the on going legal and regulatory matters. We focused on the ability of the Group to manage cash outflows within available resources, particularly in light of recent loss making operations; • the analysis and advice relating to the timing and range of outcomes of the legal and regulatory matters against the Group such as ASIC proceedings and Class Actions; In assessing this key audit matter, we involved senior audit team members who understand the Group's business, industry and the economic environment it operates in and legal specialists.	the business, industry and economic conditions impacting the Group. • Assessing the planned levels of operating and capital cash outflows and significant unusual items, in particular those related to investment in sales capability and product development, consideration in relation to acquisition of Rampiva, remaining contingent consideration in relation to the Topos Labs acquisition, and ongoing legal fees relating to the matters discussed in note 9.6 for feasibility, timing, consistency of relationships and trends to the Group's historical results, particularly in light of recent loss making operations, results since year end, and our understanding of the business, industry and economic conditions impacting the Group. • We assessed significant forecast cash inflows and outflows identified in scenario analysis prepared by the Group, modelling alternates of growth shortfalls. We assessed the cost reductions and other mitigants in these alternate scenarios including legal options for feasibility, quantum and timing. We used our knowledge obtained from other procedures, past results, inquiries with the Group's internal and external legal counsel, and our understanding of the current status of legal and regulatory matters, to assess the level of associated uncertainty. • We obtained the Group's internal and external counsel opinions on the likely timing and probability of any cash outflows as result of the legal and regulatory matters discussed in Note 9.6 and together with our specialists assessed the probability and timing of any cash outflows as result of adverse outcomes of contingent liabilities. • We evaluated the Group's going concern disclosures in the financial report by comparing them to our understanding of the matter, the events or conditions incorporated into the cash flow projection assessment, the Group's plans to address those events or conditions, and accounting standard requirements.

Valuation of intangible assets ($244.5m)	
Refer to Note 5.4 to the financial report	
The key audit matter	**How the matter was addressed in our audit**
A key audit matter for us was the Group's testing of intangible assets (including goodwill) for impairment, given the size of the balance (being 64% of total assets) and existence of impairment indicators. Certain conditions impacting the Group increased the judgement applied by us when evaluating the evidence available. We focused on the key forward-looking assumptions the Group applied in their value in use model, including: • forecast operating cash flows – the Group has incurred a loss during the year; • forecast growth rates – the Group's models are sensitive to small changes in these assumptions, reducing available headroom. This drives additional audit effort specific to assessing their feasibility; and • discount rate - these are complicated in nature and vary according to the conditions and environment the specific Cash Generating Unit (CGU) is subject to from time to time. The Group uses complex models to perform their annual testing of goodwill and intangible assets for impairment. The models are largely manually developed, use adjusted historical performance, and a range of internal and external sources as inputs to the assumptions. Complex modelling, using forward-looking assumptions tend to be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	Working with our valuation specialists our procedures included: • We assessed the Group's determination of CGU assets for consistency with the assumptions used in the forecast cash flows and the requirements of the accounting standards. • We considered the appropriateness of the value in use method applied by the Group to perform the test of intangible assets for impairment against the requirements of the accounting standards. • We assessed the integrity of the value in use model used, including the accuracy of the underlying calculation formulas. • We compared the forecast cash flows and key assumptions contained in the value in use model to Board approved Budgets. • We assessed the accuracy of previous Group cash and other key metric forecasts to inform our evaluation of forecasts incorporated in the model. • We challenged the Group's significant forecast cash flow and growth assumptions. We compared forecast growth rates and terminal growth rates to published studies of industry trends and expectations, and considered differences for the Group's operations. We did this using our knowledge of the Group, their past performance, business and customers, and our industry experience. • We checked the consistency of the growth rates to the Group's stated plan and strategy, past performance of the Group, and our experience regarding the feasibility of these in the industry/economic environment in which they operate. • We independently developed a discount rate range considered comparable using publicly available market data for comparable entities adjusted by risk factors specific to the Group.

	• We considered the sensitivity of the model by varying key assumptions, such as forecast growth rates, terminal growth rates and discount rates, within a reasonably possible range. We did this to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures. • We assessed the disclosures in the financial report using our understanding of the issue obtained from our testing and against the requirements of the accounting standards.

Revenue recognition ($182.5 million)

Refer to Note 2.1 to the financial report

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

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• the significance of judgments and assumptions required by the Group in the determination of the relative standalone selling prices for each performance obligation in multiple element contracts.	customer; and – We checked the accuracy of the revenue recognised against the agreed terms and conditions of underlying contracts and the Group's revenue recognition policy. • We evaluated the adequacy of disclosures in the financial report using our understanding obtained from our testing and against the requirements of Australian Accounting Standards.

Capitalisation of development costs as Intellectual Property ($39.9 million)	
Refer to Note 5.1 to the financial report	
The key audit matter	**How the matter was addressed in our audit**
Capitalisation of software development costs is considered to be a key audit matter due to: • The significance of the amount of development costs capitalised; • The judgement required by the Group in determining whether the development activities undertaken by them meets the capitalisation criteria of the accounting standards. We focused our effort on analysing the underlying sources used by the Group in applying these significant judgements, the potential for bias, and their consistency of application.	Our procedures included: • We assessed the Group's accounting policies and methodology used to capitalise development costs against the requirements of the accounting standard and our understanding of the business and industry practice. • We obtained an understanding of the Group's software development processes and how software developers use their project management tool to record activities. • We evaluated the Group's assessment of development activities and development costs capitalised. This included: – Evaluating the Group's assessment using our knowledge of the business and projects, and through enquiries with various stakeholders, including: Project Managers, the Chief Technology Officer and the Chief Product Officer; – We inspected a sample of information recorded in the project management tool and assessed the Group's identification of activities they've attributed as constituting development against the requirements of the accounting standards; and – We tested a sample of activities recorded and capitalised as development costs, checking the nature of respective activities being performed as one relating to an

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	intangible asset in development or an enhancement to an existing software product as opposed to research or maintenance as defined by the accounting standards. • We assessed the cost eligible for capitalisation by testing a sample of key inputs to underlying records including employees payroll information. We also assessed the Group's allocation of directly attributable overhead costs against the criteria within the accounting standards. • We evaluated the adequacy of the disclosures included in the financial report against the requirements of the accounting standards.

Other Information

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

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

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

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Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Nuix Limited for the year ended 30 June 2023 complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 43 to 61 of the Directors' report for the year ended 30 June 2023.

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

KPMG

Trent Duvall

Partner

Sydney

8 September 2023

SHAREHOLDER INFORMATION

SHAREHOLDER INFORMATION

The shareholder information set out below is applicable at 5 September 2023.

NUMBER OF EQUITY SECURITY HOLDERS

Number of holders of Ordinary equity securities:	16,247
Number of holders of unquoted options:	47
Number of holders of unquoted performance rights:	80

VOTING RIGHTS

The voting rights attached to each class of equity securities are set out below:

Ordinary Shares

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

Options

Holders of Options do not have any voting rights.

Performance Rights

Holders of Performance Rights do not have any voting rights.

DISTRIBUTION OF EQUITY SECURITIES

Analysis of number of holders of quoted Ordinary Shares by size of holding:

Range	Securities	%	No. of holders	%
100,001 and Over	259,397,192	80.67	115	0.71
10,001 to 100,000	35,919,107	11.17	1,304	8.03
5,001 to 10,000	9,673,843	3.01	1,271	7.82
1,001 to 5,000	12,959,161	4.03	5,055	31.11
1 to 1,000	3,616,087	1.12	8,502	52.33
Total	**321,565,390**	**100.00**	**16,247**	**100.00**

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

Range	Securities	%	No. of holders	%
100,001 and Over	1,626,876	61.60	8	17.02
10,001 to 100,000	992,647	37.58	36	76.60
5,001 to 10,000	17,270	0.65	2	4.26
1,001 to 5,000	4,317	0.16	1	2.13
1 to 1,000	0	0.00	0	0.00
Total	**2,641,110**	**100.00**	**47**	**100.00**

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

Range	Securities	%	No. of holders	%
100,001 and Over	6,828,674	71.07	16	20.00
10,001 to 100,000	2,771,123	28.84	61	76.25
5,001 to 10,000	0	0.00	0	0.00
1,001 to 5,000	9,111	0.09	3	3.75
1 to 1,000	0	0.00	0	0.00
Total	**9,608,908**	**100.00**	**80**	**100.00**

SUBSTANTIAL HOLDERS

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

Holder	Securities	%
Macquarie Group Limited	95,654,262	29.75%
ECP Asset Management Pty Ltd	27,860,999	8.66%
Australian Ethical Investment	25,952,731	8.07%

MARKETABLE PARCELS

Number of holders holding less than a marketable parcel of Ordinary Shares: 3,983.

RESTRICTED SECURITIES OR SECURITIES SUBJECT TO VOLUNTARY ESCROW

Number of Shares	Date Period of Escrow Ends
134,010	06/03/24
3,578,179	02/07/24

ON-MARKET BUY-BACK

There is no current on-market buy-back.

LARGEST QUOTED EQUITY SECURITY HOLDERS

The twenty largest holders of quoted Ordinary Shares are:

Rank	Name	A/C designation	Securities	%
1	MACQUARIE CORPORATE HOLDINGS PTY LTD		95,654,262	29.75
2	NATIONAL NOMINEES LIMITED		28,666,235	8.91
3	CITICORP NOMINEES PTY LIMITED		21,899,493	6.81
4	BNP PARIBAS NOMS PTY LTD	<DRP>	18,528,951	5.76
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED		15,312,171	4.76
6	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED		15,303,431	4.76
7	AD & SK CASTAGNA HOLDINGS PTY LIMITED		13,345,750	4.15
8	BENNAMON PTY LTD		4,160,412	1.29
9	BNP PARIBAS NOMS(NZ) LTD	<DRP>	4,058,709	1.26
10	PALM BEACH NOMINEES PTY LIMITED		3,649,508	1.13
11	BNP PARIBAS NOMINEES PTY LTD	<AGENCY LENDING DRP A/C>	3,476,292	1.08
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2		2,994,309	0.93
13	DANIEL NICOLAE BOTEANU		1,901,207	0.59
14	MR DAVID ALEXEI SITSKY		1,750,000	0.54
15	BNP PARIBAS NOMINEES PTY LTD	<IB AU NOMS RETAILCLIENT DRP>	1,693,091	0.53
16	QUALITAS SERVICES PTY LTD	VAWDREY FAMILY	1,580,509	0.49
17	MS BO XU		1,300,000	0.40
18	INTECH SOLUTIONS PTY LTD		1,270,000	0.39
19	MR TREJKAZ		1,000,000	0.31
20	NETWEALTH INVESTMENTS LIMITED	<WRAP SERVICES A/C>	795,678	0.25
		Total	**238,340,008**	**74.12**
		Balance of register	**83,225,382**	**25.88**
		Grand total	**321,565,390**	**100.00**

CORPORATE DIRECTORY

REGISTERED OFFICE

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Sydney NSW 2000 Australia

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EXCHANGE

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

INVESTOR RELATIONS

www.nuix.com/investors

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Ilona Meyer

AUDITOR

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