NUIX LIMITED AND CONTROLLED ENTITIES

Appendix 4D and Consolidated Interim Financial Report

For the half-year ended 31 December 2022

A.C.N 80 117 140 235

ASX Code: NXL

Nuix Limited and Controlled Entities
Appendix 4D and Consolidated Interim Financial Report

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ASX Appendix 4D

Results for announcement to the market

Statutory results for the period ended 31 December	% change	1H FY2023 $000	1H FY2022 $000
Revenue from ordinary activities	Up 4.3%	87,636	84,020
Profit / (loss) from ordinary activities after tax attributable to members	> 100%	1,251	(2,324)
Profit / (loss) for the period attributable to members	> 100%	1,251	(2,324)

During the period ended 31 December 2022, the group reported a profit after tax of $1,251,000, compared to a loss after tax of $2,324,000 in the prior corresponding period.

Other Information

Dividends

It is not proposed that dividends be paid for the half-year ended 31 December 2022 (31 December 2021: nil).

Dividend reinvestment plan

Nuix Limited has not implemented a dividend reinvestment plan.

Net Tangible Assets (‘NTA’) backing

As at 31 December	2022	2021
NTA[1] (thousands of dollars)	25,566	52,216
Number of shares (thousands)	317,315	317,315
NTA per share (cents)	8.1	16.5

Explanation of results

Please refer to the Operating and Financial Review included in the Directors’ Report for explanation of the results.

The information should be read in conjunction with the consolidated Annual Financial Report of Nuix Limited for the year ended 30 June 2022. This report should also be read in conjunction with any public announcements made by Nuix in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001* and ASX Listing Rules.

Supplementary comments

Additional information may be found in the media release and investor presentation lodged with the ASX on 20 February 2023 and the Operating and Financial Review forming part of the Directors’ Report.

Entities over which control, joint control or significant influence was gained or lost

The Group has no interests in associates or joint ventures during either the current or prior corresponding periods, and there have been no changes in entities that the Group controls during the current period.

[1] Net Tangible Assets have been calculated as net assets, adjusted for intangible assets and deferred taxes.

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 half-year ended 31 December 2022.

1. Directors

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

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

2. Operating and financial review

This Operating and Financial Review is prepared to assist shareholders in understanding Nuix's business performance and the factors underlying its results and financial position. It complements the disclosures in the Interim Financial Report. All amounts are presented in Australian dollars to the nearest thousand except where indicated.

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

2.1. Principal activities

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

Nuix offers a software platform (Nuix platform) comprising a powerful proprietary data processing engine (Nuix Engine) and several software applications. It has been developed in-house, shaped by feedback from long-standing government and private sector customers over more than two decades, 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 or the general state of affairs occurred during the period.

2.2 Group performance and financial position

Statutory revenue for the period rose to $87,636,000, up 4.3% on the prior corresponding period. The proportion of statutory revenue derived from multi-year deals was 29%, down from 48% in the prior corresponding period.

Traditional module-style licences comprise the bulk of statutory revenue, however, as has been the case over recent periods, there was a significant increase in the amount of statutory revenue derived from the sale of licences that are priced on a consumption basis.

Statutory EBITDA for 1H23 rose to $20,863,000, up 51.6%, driven by a fall in non-operational legal costs compared to the prior corresponding period, along with revenue growth and general cost containment.

Underlying EBITDA, that is EBITDA excluding non-operational legal costs and costs associated with the Company's acquisition of Topos, rose by 8.5% to $25,145,000.

During the half Nuix continued to invest in research and development, with total spend of $29,704,000.

While materially lower than the previous corresponding period, the Company experienced significant non-operational legal costs, of $2,396,000.

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

	For the half year ended 31 December	
	2022 $000	2021 $000
Profit / (loss) for the year	**1,251**	**(2,324)**
Income tax benefit	(926)	(996)
Depreciation and amortisation	20,057	17,191
Interest expense	751	612
Net foreign exchange gains / (losses)	(270)	(721)
EBITDA	**20,863**	**13,762**
Non-operational legal costs	2,396	7,697
Topos costs	1,886	1,724
Underlying EBITDA	**25,145**	**23,183**

Annualised Contract Value (ACV), Net Dollar Retention and Churn

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

ACV at 31 December 2022 was $170,162,000, up 3.4% compared to 31 December 2021 (up 5.0% compared to 30 June 2022).

Subscription ACV is a component of Total ACV and is an important indicator of the proportion of ACV that is generally recurring in nature. Subscription ACV grew by 7.0% year on year to $158,226,000, comprising 93% of overall ACV.

"Other ACV", comprising short-term (less than 12 month) and perpetual licences, and services ACV, fell to $11,937,000 from $16,613,000 a year earlier. This outcome is as expected given the Company has made a strategic decision to sell fewer Perpetual licences.

The Company has noted in previous periods a shift in some customer demand towards consumption licences, which sometimes comes with an initial downsell. While overall consumption licence growth continued during the half, the Company has implemented improved processes to minimise potential downsell for clients that choose to shift to a consumption-based licence. Consumption ACV grew to $30,267,000, up 11.6%, driven by solid growth in both SaaS and non-SaaS licences.

Net Dollar Retention (NDR) is an important indicator of the way the Group's existing customers' spend pattern changes over a period of 12 months. Net Dollar Retention rose to 103.1% compared to 98.8% in the prior corresponding period, on general containment of customer churn, increased upsell to customers, and currency benefits.

Nuix's customer churn remains low. During the period, customer churn rose to 4.8%, from 4.1% compared with the prior corresponding period, however, this is consistent with full year FY22 of 5.4%. Customer upsell outweighed customer churn.

Summary balance sheet

	31 Dec 2022 $000	30 Jun 2022 $000
Assets		
Cash and cash equivalents	37,098	46,846
Trade and other receivables (including contract assets)	72,286	62,575
Other current assets	8,281	10,016
Property and equipment	2,979	3,040
Intangibles	241,472	237,125
Deferred tax assets and lease assets	14,564	14,515
Total assets	**376,680**	**374,117**
Liabilities		
Trade and other payables	22,077	23,742
Deferred tax and lease liabilities	12,343	13,650
Deferred revenue	52,666	49,285
Provisions	3,824	3,915
Other liabilities	14,037	14,458
Total liabilities	**104,947**	**105,050**
Equity		
Issued capital	370,696	370,696
Reserves	(162,124)	(163,539)
Retained earnings	63,161	61,910
Total equity / net assets	**271,733**	**269,067**

The Group has no debt and had a closing cash balance of $37,098,000 at 31 December 2022, down from $46,846,000 at 30 June 2022. The decrease in cash and cash equivalents is primarily due to non-operational legal costs and acquisition and operating costs related to the Topos acquisition. The Group is targeting to be cash flow neutral in the current year excluding the impact of non-operational legal fees and M&A activity.

2.3 Business Strategies

During the half, Nuix continued to pursue key initiatives that were previously outlined to the market. 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.

While the timeframes associated with each of these groups of initiatives vary, work on all three horizons is underway concurrently. The key initiatives and enablers underpinning the Horizon 1 framework are the foundations for success over Horizons 2 and 3.

During the half, important progress was made on Horizon 1 initiatives, including further implementation of a new price book, the development of an optimised sales process, including improved sales performance monitoring, an improved renewal approach more closely focused on ACV, NDR and churn, and an enhanced focus on embedding and refining the Company's service offering to customers.

Significant progress was also made in relation to leadership, culture and value propositions, with further important hires into key leadership roles, investment in capabilities across engineering, corporate services and product development, the commencement of a culture refresh program including new branding, company values and a reinvigorated focus on employee value propositions.

Nuix's licence modernisation program, targeting a simplified licencing framework built around solution and data velocity, continued during the half, along with research and development operational strategy work and further operational efficiency discipline through the "Fit for Growth" program.

During the half, Nuix achieved FedRAMP Ready designation, at the High Security impact level, for its Discover SaaS platform. FedRAMP (Federal Risk and Authorization Management Program) is a US government-wide program that promotes the adoption of secure cloud services across the US federal government by providing a standardised approach to security and risk assessment for cloud technologies and federal agencies.

FedRAMP High designations specifically incorporate high impact data, where a loss of confidentiality, integrity or availability could be expected to have a severe or catastrophic adverse effect on organisational operations, organisational assets or individuals.

Nuix now enters into the Pre-Authorization stage, during which it formalises its partnership with an agency.

On Authorization, Nuix's Discover SaaS platform will be able to be used by US Government agencies to store their most sensitive unclassified data. The FedRAMP High framework will provide the foundation for future Nuix offerings built for the cloud, providing a highly secure environment for both government and corporate customers.

During the half Nuix, continued to invest in research and development, making significant progress on Horizon 2 goals relating to its solution-based integrated platform and integration of Natural Language Processing (NLP) integration, meeting critical development milestones.

As previously articulated, the Horizon 3 strategy involves developing new, high-value, repeatable use case solutions. During the half, Nuix launched its Data Privacy Solution to customers. The Nuix Data Privacy offering is a good example of harnessing the power of the Nuix Engine in managing the impact of expanding data regulation. The offering allows customers to identify risks, map privacy data, optimise processing, meet retrieval obligations and optimise processing.

Nuix intends to pursue the current broad initiatives, along with new initiatives, across each of the three strategic horizons to drive growth into future periods.

3. Events since the end of the interim period

Subsequent to 31 December 2022, an amount of USD $6,250,000 in relation to milestones achieved was paid, of which USD $4,797,000 was paid for the acquisition of Topos (and formed part of the contingent consideration for the acquisition) and USD $1,454,000 was paid in relation to post-combination employee benefits (which has been recognised in profit and loss post-acquisition in line with provision of services).

On 7 February 2023, the Federal Court of Australia delivered its judgement in relation to the proceedings brought by Mr Edward Sheehy against Nuix. The Federal Court dismissed Mr Sheehy's claims. There is no requirement for Nuix to amend its options register and Mr Sheehy is not entitled to any monetary compensation from the Company. Mr Sheehy will have a period of time to appeal the decision.

Except as disclosed above, no other matters or circumstances have arisen since the end of the half-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.

4. 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.

5. Auditor's independence declaration

The Directors have received the Lead Auditors Independence Declaration under section 307C of the *Corporations Act 2001*. The Lead Auditor's Independence Declaration is set out on page 9 and forms part of the Directors' Report for the half-year ended 31 December 2022.

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

SIGNED:

Jeffrey Bleich

Chairman

Sydney, Australia

20 February 2023

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 review of Nuix Limited for the half-year ended 31 December 2022 there have been:

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

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

KPMG

Trent Duvall

Partner

Sydney

20 February 2023

Nuix Limited and Controlled Entities

Consolidated Interim Financial Report

For the half-year ended 31 December 2022

Consolidated statement of comprehensive income

For the half-year ended 31 December 2022

	Notes	31 Dec 2022 $000	31 Dec 2021 $000
Revenue	5	87,636	84,020
Cost of goods sold		(11,698)	(8,527)
Gross profit		75,938	75,493
Sales and distribution		(28,377)	(29,713)
Research and development		(26,530)	(22,395)
General and administration	4	(20,822)	(27,353)
Other income	6	597	539
Net realised and unrealised foreign exchange gains / (losses)		270	721
Operating profit / (loss)		1,076	(2,708)
Finance costs	4	(751)	(612)
Profit / (loss) before income tax		325	(3,320)
Income tax benefit	7	926	996
Profit / (loss) for the period		1,251	(2,324)
Other comprehensive income			
Items that may be reclassified to profit or loss Exchange differences on translation of foreign operations	10	863	3,574
Other comprehensive income, net of tax		863	3,574
Total comprehensive income for the period, net of tax		**2,114**	**1,250**

Profit / (loss) per share		**Cents**	**Cents**
Basic	11	0.00	(0.01)
Diluted	11	0.00	(0.01)

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

Consolidated statement of financial position

As at 31 December 2022

	Notes	31 Dec 2022 $000	30 Jun 2022 $000
Current assets			
Cash and cash equivalents		37,098	46,846
Trade and other receivables (including contract assets)		61,070	50,813
Other current assets		6,123	8,098
Current tax assets		2,158	1,918
Total current assets		106,449	107,675
Non-current assets			
Deferred tax asset		4,695	3,326
Intangible assets		241,472	237,125
Property and equipment		2,979	3,040
Right of use assets		9,869	11,189
Non-current receivables (including contract assets)		11,216	11,762
Total non-current assets		270,231	266,442
Total assets		376,680	374,117
Current liabilities			
Trade and other payables		22,077	23,742
Deferred revenue		36,735	32,544
Provisions		2,732	2,898
Lease liabilities		3,165	2,802
Other current liabilities	12	7,049	7,528
Total current liabilities		71,758	69,514
Non-current liabilities			
Deferred revenue		15,931	16,741
Provisions		1,092	1,017
Lease liabilities		9,178	10,848
Other non-current liabilities	12	6,988	6,930
Total non-current liabilities		33,189	35,536
Total liabilities		104,947	105,050
Net assets		**271,733**	**269,067**
Equity			
Issued capital	9	370,696	370,696
Reserves	10	(162,124)	(163,539)
Retained earnings		63,161	61,910
Total equity		**271,733**	**269,067**

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

Consolidated statement of changes in equity

For the half-year ended 31 December 2022

	Issued capital $000	Share option reserve $000	Foreign currency translation reserve $000	Retained earnings $000	Total equity $000
Balance at 1 July 2021	**370,696**	**(171,641)**	**(2,681)**	**84,701**	**281,075**
Loss for the half-year	-	-	-	(2,324)	(2,324)
Other comprehensive income, net of tax	-	-	3,574	-	3,574
Total comprehensive income	-	-	3,574	(2,324)	1,250
Share-based payments	-	2,019	-	-	2,019
Balance at 31 December 2021	**370,696**	**(169,622)**	**893**	**82,377**	**284,344**
Balance at 1 July 2022	370,696	(168,731)	5,192	61,910	269,067
Profit for the half-year	-	-	-	1,251	1,251
Other comprehensive income, net of tax	-	-	863	-	863
Total comprehensive income	-	-	863	1,251	2,114
Share-based payments	-	552	-	-	552
Balance at 31 December 2022	**370,696**	**(168,179)**	**6,055**	**63,161**	**271,733**

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

Consolidated statement of cash flows

For the half-year ended 31 December 2022

	Notes	31 Dec 2022 $000	31 Dec 2021 $000
Cash flows from operating activities			
Receipts from customers		80,654	79,583
Payments to employees and suppliers		(66,105)	(65,919)
Interest received		9	-
Income tax paid		(228)	(25)
Net cash provided from operating activities		**14,330**	**13,639**
Cash flows from investing activities			
Purchase of property and equipment		(629)	(854)
Payments for software development costs		(21,047)	(21,781)
Acquisition of Topos Labs, LLC, net of cash acquired		-	(6,861)
Net cash used in investing activities		**(21,676)**	**(29,496)**
Cash flows from financing activities			
Payments of principal on lease liabilities		(1,717)	(1,737)
Interest paid [1]		(751)	(612)
Net cash used in financing activities		**(2,468)**	**(2,349)**
Net change in cash and cash equivalents		(9,814)	(18,206)
Cash and cash equivalents at beginning of financial period		46,846	70,865
Exchange differences on cash and cash equivalents		66	(142)
Cash and cash equivalents at end of period		**37,098**	**52,517**

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

[1] *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.*

Notes to the consolidated financial statements

1. Basis of preparation

1.1 Reporting entity

Nuix Limited (the 'Company') is a company that is incorporated and domiciled in Australia. This consolidated interim financial report ('interim financial report') as at and for the six months ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as 'the Group').

The interim financial report was authorised for issue by the Board of Directors on 20 February 2023.

1.2 Basis of accounting

The interim financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. International Financial Reporting Standards (IFRS) form the basis of Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB). The interim financial report of the Group also complies with International Accounting Standard IAS *34 Interim Financial Reporting*.

The interim financial report does not include all the information required for an annual financial report and should be read in accordance with the consolidated annual financial report of the Group for the year ended 30 June 2022. This report should also be read in conjunction with any public announcements made by the Group in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001* and ASX Listing Rules. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim period and the adoption of new and amended standards below.

The interim financial report is presented in Australian dollars, which is the functional currency of the Group, 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 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 as a result of adopting these standards, as they did not have a significant impact on the Group's consolidated financial statements.

1.4 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 31 December 2022 half-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.

1.5 Going concern

At 31 December 2022, the Group is in a net current asset position of $34,691,000. At 31 December 2022, the Group had $37,098,000 available cash and cash equivalents. The financial statements have been prepared on a going concern basis.

In preparing these financial statements, the Group has prepared, and the Directors have considered cash flow forecasts, taking into account information currently available regarding current conditions and those, at least but not limited to, twelve months from the end of the reporting period. Important to these cash flows are the assumptions used regarding seeking to return to operating net cash inflows in FY24, the potential outcomes and timings of the regulatory and litigation matters as discussed in Note 14, and the access to other funding sources should they be required to achieve the Group's strategy. The uncertainties attached to funding sources, the unknown outcomes of the current 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 new pricing plans, growth in revenue supported by the investment in sales capability and continued product development along with significant unusual matters such as the settlement of contingent consideration for the Topos Labs acquisition and ongoing legal fees.
- the Group is targeting to be cash flow neutral for the current year, excluding the impact of non-operational legal fees and M&A activity. There are risks to achieving this given business performance in FY23, forecast economic headwinds, 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 14. In applying the assumptions and judgements, we have had regard to the penalty regime, views of our advisors and potential likely 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. 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 increased risk and uncertainty of debt financing becoming available to the Group in the cash forecast period.

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

Further, the Group has prepared, and the Directors have considered a cash flow forecast which considers 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.

1.6 Use of judgements and estimates

In preparing this interim financial report, 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 period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty in preparing the interim financial report were consistent with those described in the latest annual financial report.

1.6.1 Accounting for business combinations

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

Determining whether arrangements are part of the business combination

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

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

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

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

Measurement of fair values at acquisition date

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

Contingent consideration:

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

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

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

Acquired intangible assets:

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

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

1.6.2 Revenue recognition

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. A reseller is an intermediary that acts on behalf of Nuix and sells Nuix software to third parties. A distributor also sells Nuix software to third parties, however the distributor may also appoint sub-distributors or agents to market and sell Nuix products on their behalf. There are a number of other types of organisations that Nuix considers to be partners that do not support indirect sales in the same way as a reseller or distributor. These partnerships include advisories and service providers, integrations partners, authorised training partners, original equipment manufacturing (OEM) partners and transactional resellers.

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

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

1.6.3 Share-based payment expense

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

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

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

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

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

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

1.6.4 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.

1.6.5 Impairment testing of goodwill

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

Management have concluded that whilst the Intellectual Property from the Topos Labs acquisition is yet to be fully integrated into the Nuix platform until sales of an integrated solution are made to customers, the cash inflows from the Topos Labs acquisition are substantially independent of those for the rest of the Nuix platform. Accordingly, from the date of the acquisition of Topos, management have identified that the Group has two CGUs. The cash inflows of the rest of the Group were so integrated (including those from sales relating to Nuix Discover) that with the exception of the Topos Labs CGU, the Nuix platform CGU comprises the rest of the Group's operations.

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

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

The accounting standards for an interim reporting period require that the Group applies the same impairment testing, recognition, and reversal criteria at an interim date as it would the end of its financial year; however an entity need not necessarily complete a detailed calculation at the end of each interim period unless there are indications of significant impairment since the end of the most recent financial year.

Management have assessed that any indicators of impairment that continue to persist during the half year are pre-existing from the time of the impairment test carried out at 30 June 2022 (e.g., recent financial performance, market capitalisation, higher interest rate environment, costs of defending litigation and claims bearing on operating cash flows) when it was determined that the headroom for the Nuix platform CGU was in excess of $100 million. There has been no deterioration in any of these factors since 30 June 2022, rather performance during the half year indicates that these factors have abated. Accordingly there are no indicators that a significant impairment has arisen since 30 June 2022 which would necessitate a full test.

1.6.6 Recoverability of tax assets

Recoverability of tax assets

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

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

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

1.6.7 Contingent liabilities

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.

2. Fair value measurements

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 12 for fair value disclosures related to contingent consideration.

3. Segment information

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

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

Segment performance

	For the half year ended 31 December	
	2022 $000	**2021 $000**
Software	85,085	80,049
Services	2,546	3,358
Hardware	5	613
Total revenue	87,636	84,020

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

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

	For the half year ended 31 December	
	2022 $000	2021 $000
EBITDA	20,863	13,762
Interest expense	(751)	(612)
Depreciation and amortisation	(20,057)	(17,191)
Net foreign exchange gains / (losses)	270	721
Profit/(Loss) before income tax	325	(3,320)
Income tax benefit	926	996
Net profit/(loss) after tax	1,251	(2,324)

Geographic Information

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

Revenue generated by location of customer:

	For the half year ended 31 December	
	2022 $000	2021 $000
Asia Pacific	14,449	14,678
Americas	46,000	51,374
Europe, Middle East and Africa (EMEA)	27,187	17,968
	87,636	84,020

Non-current assets by geographic location:

	31 Dec 2022 $000	30 Jun 2022 $000
Asia Pacific	139,678	134,928
Americas	129,045	129,492
Europe, Middle East and Africa (EMEA)	1,508	2,022
	270,231	266,442

4. Profit / (Loss) for the period

The profit / (loss) for the period has been arrived at after recognising the following items:

	For the half year ended 31 December 2022 $000	2021 $000
Expenses (included in general and administration)		
Legal fees – operational	907	1,643
Legal fees – non-operational[1]	2,396	7,697
Employee benefit expenses (inclusive of share-based payment expenses)		
Sales and distribution	27,144	25,267
Research and development	7,937	5,398
General and administration	8,263	7,795
Finance costs		
Interest expense	751	612
Depreciation and amortisation		
Sales and distribution	965	1,141
Research and development	18,073	15,306
General and administration	869	744
Cost of goods sold	150	-

5. Revenue

Disaggregation of revenue

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

Revenue by type

Revenue	For the half year ended 31 December 2022 $000	2021 $000
Subscription licences	52,395	48,752
Perpetual licences	15,358	15,050
Consumption licences	17,332	16,247
Total licence revenues (including related support and maintenance)	85,085	80,049
Professional services	2,546	3,358
Hardware	5	613
Total other revenues	2,551	3,971
Total revenues	87,636	84,020

[1] Relates to costs for Group's defences to the actions brought as disclosed in Note 14, and legal advice for the acquisition of Topos Labs, LLC.

Timing of revenue recognition

	For the half year ended 31 December	
Timing of revenue recognition	**2022 $000**	**2021 $000**
Point in time	55,913	51,534
Over time	31,723	32,486
	87,636	84,020

6. Other income

	For the half year ended 31 December	
	2022 $000	**2021 $000**
Government grant income	557	539
Other income	40	-
	597	539

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

7. Income tax expense

Income tax expense is recognised at an amount determined by multiplying the profit (loss) before tax for the half-year reporting period by management's best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognised in full in the interim period. As such, the effective tax rate in the interim financial statements may differ from management's estimate of the effective tax rate for the annual financial statements.

Movements in effective tax rate are caused by the impact of recurring permanent differences between accounting expenses and tax deductions, and the quantum of these differences to compared to profit / (loss) before tax.

8. Funding arrangements

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.

Given that the Company had not been utilising the Cash Advance Facility over the preceding 12 months, the Group terminated the Facility Agreement with CBA in September 2022. The Company will continue to assess its ongoing liquidity requirements.

9. Issued capital

			For the half year ended 31 December	
Movements in ordinary shares	**2022 Shares**	**2021 Shares**	**2022 $000**	**2021 $000**
Opening balance	317,314,794	317,314,794	370,696	370,696
Closing balance	317,314,794	317,314,794	370,696	370,696

Ordinary shares participate in dividends and the proceeds upon winding up of the Company, proportionately to the shareholding. At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. The issued shares do not have a par value. There are no externally imposed capital requirements.

10. Reserves

Foreign currency translation reserve

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

Share-based payment reserve

The share based payment 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.

	For the half year ended 31 December	
Movements in reserves	**2022 $000**	**2021 $000**
Share-based payment reserve		
As at 1 July	(168,731)	(171,641)
Share-based payment arrangements	552	2,019
As at 31 December	(168,179)	(169,622)
Foreign currency translation reserve		
As at 1 July	5,192	(2,681)
Foreign currency translation reserve	863	3,574
As at 31 December	6,055	893
Total Reserves	(162,124)	(168,729)

11. Earnings per share

	For the half year ended 31 December	
	2022 $000	**2021 $000**
Profit / (Loss) for the period	1,251	(2,324)
Weighted average number of ordinary shares (basic)	317,314,794	317,314,794
Basic earnings per share (in dollars)	0.00	(0.01)
Profit / (loss) for the period	1,251	(2,324)
Weighted average number of ordinary shares (basic)	317,314,794	317,314,794
Effect of share options and performance rights on issue	4,545,865[1]	Antidilutive[2]
Diluted weighted average number of ordinary shares	0.00	317,314,794
Diluted earnings per share	0.00	(0.01)

[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 corresponding prior period, 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. 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 were considered to be 'antidilutive' in the corresponding prior period.

12. Other liabilities

	31 Dec 2022 $000	30 Jun 2022 $000
Contingent consideration	7,049	7,528
Other current liabilities	**7,049**	**7,528**
Contingent consideration	6,988	6,330
Other non-current liability	-	600
Other non-current liabilities	**6,988**	**6,930**

Contingent consideration payable

The Group continues to recognise a liability measured at fair value as of 31 December 2022 in relation to contingent consideration arising out of the acquisition of Topos Labs, LLC in the prior period. 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	31 Dec 2022 $000	30 Jun 2022 $000
Opening balance	13,856	-
Additions	-	12,999
Foreign exchange difference	143	767
Change in fair value estimate	-	-
Unwinding of interest	38	90
Cash payments [1]	-	-
Closing balance	**14,037**	**13,856**

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

During the half 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 subsequent to 31 December 2022 for the satisfactory completion of those milestones[1].

For the remaining milestones, their fair value measurements are sensitive to reasonably possible changes in unobservable inputs to their measurement, including the time frame over which milestones may (or may not) be achieved; the successfulness of integration of the acquired Intellectual Property with the Nuix platform; and the pace at which commercial activities in relation to the Nuix NLP product proceed.

[1] Subsequent to 31 December 2022, an amount of USD $6,250,000 in relation to milestones achieved was paid, 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).

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 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.

13. Dividends

During the half year, the Directors did not declare an interim dividend (2021: Nil) and have not subsequent to balance date recommended a dividend to be paid (2021: Nil).

14. 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.

Sheehy litigation

In November 2019, Nuix comprised a claim and formal proceedings brought by former CEO, Eddie Sheehy (Mr Sheehy) under which Nuix agreed to consent to a form of declaration proffered by Mr Sheehy being made by the Supreme Court of NSW in the form of Judgment. Pursuant to that compromise, the Supreme Court made a declaration that '453,273 options granted over unissued shares of Nuix held by Mr Sheehy are exercisable on the occurrence of a sale of [Nuix's] business' in accordance with an options agreement between the parties made in September 2008 (the **2019 Judgment**). In accordance with the 2019 Judgment, Nuix's options register records that Mr Sheehy holds 453,273 options, each over one share at an exercise price of $2.00 per option and without an expiry date.

Despite the 2019 Judgment, on 23 October 2020 Mr Sheehy commenced proceedings against Nuix in the Federal Court of Australia alleging that Nuix has acted inconsistently with the terms of the 2008 options agreement under which he was granted certain options in the event that a sale of the Nuix business occurred. Mr Sheehy alleges that as a result of a 1 for 50 share split conducted by Nuix in March 2017 and the Nuix IPO in December 2020 that his remaining his 453,273 options constituted options over 22,663,650 shares and that those options became exercisable, and were validly exercised, following the Nuix IPO. Mr Sheehy also alleges that Nuix not recognising his claim for an entitlement to 22,663,650 shares options and not issuing him with those shares was oppressive, unfairly prejudicial, unfairly discriminatory and/or unconscionable. Mr Sheehy seeks declarations as to his alleged entitlements, compensation and damages.

Nuix denies all of the allegations and, in particular, maintains that the dispute in relation to the number of options/shares to which Mr Sheehy was entitled was properly comprised and validly determined by a Judgment issued by the NSW Supreme Court in November 2019 and it is not open for Mr Sheehy to seek to re-litigate the issue, that Mr Sheehy's options were not the subject of the 2017 share split and that, in any event, no 'sale of the business' of the kind contemplated by the parties in the 2008 options agreement has occurred with the effect that none of Mr Sheehy's options are presently exercisable at all.

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

On 7 February 2023, the Federal Court of Australia delivered its judgement in relation to the proceedings brought by Mr Edward Sheehy against Nuix. The Federal Court dismissed Mr Sheehy's claims. There is no requirement for Nuix to amend its options register and Mr Sheehy is not entitled to any monetary compensation from the Company. Mr Sheehy will have a period of time to appeal the decision.

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.

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 alleges that Nuix contravened provisions of the Corporations Act 2001 (Cth), the Australian Securities and Investments Commission Act 2001 (Cth) and the Australian Consumer Law in connection with its disclosures concerning its forecast FY21 revenue. The claim does not identify the amount of any damages sought.

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

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

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

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

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

Nuix denies the allegations contained in the consolidated claim and filed its defence on 4 November 2022. The Third Defendant, Mr Daniel Phillips, has applied to stay the consolidated class action as against him pending resolution of the ASIC proceedings.

15. Related party disclosures

A. Key Management Personnel ('KMP') compensation

	For the half year ended 31 December	
	2022 **$**	**2021** **$**
Short-term employee benefits	2,317,425	2,279,457
Post-employment benefits	61,253	60,985
Long-term benefits	12,417	110,090
Share-based payment expense	433,802	576,313
Termination benefits	422,523	350,000
Total	**3,247,420**	**3,376,845**

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

Represent long service leave and long-term annual leave benefits accruing during the half-year.

B. 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.

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 corresponding period, 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.

During the half-year ended 31 December 2022, $119,896 was recognised as revenue from the provision of support and maintenance in relation to the license for the alliance agreement.

As of 31 December 2022, $459,601 remains as deferred revenue in relation to the ongoing support and maintenance which will be recognised on a rateable basis until 5 December 2024.

	For the half year ended 31 December			
	2022 $		2021 $	
	Transaction	Outstanding balance	Transaction	Outstanding balance
Sales and purchases of goods and services				
Sale of licence to related parties	50,311	1,803,183	1,961,861	2,681,237
Rendering of professional service	4,852	-	-	-
Support and maintenance	119,896	-	66,683	-

16. Events after the reporting date

Subsequent to 31 December 2022, an amount of USD $6,250,000 in relation to milestones achieved was paid, of which USD 4,797,000 was paid for the acquisition of Topos (and formed part of the contingent consideration for the acquisition) and USD $1,454,000 was paid in relation to post-combination employee benefits (which has been recognised in profit and loss post-acquisition in line with provision of services).

On 7 February 2023, the Federal Court of Australia delivered its judgement in relation to the proceedings brought by Mr Edward Sheehy against Nuix. The Federal Court dismissed Mr Sheehy's claims. There is no requirement for Nuix to amend its options register and Mr Sheehy is not entitled to any monetary compensation from the Company. Mr Sheehy will have a period of time to appeal the decision.

Except as disclosed above, no other matters or circumstances have arisen since the end of the half-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 the Directors' opinion:

a. The financial statements and notes as set out on pages 11 to 30 are in accordance with the Corporations Act, including:

   (i) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the six month period ended on that date, and

   (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001, and

b. At the date of this declaration, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

SIGNED:

Jeffrey Bleich

Chairman

Sydney, Australia

20 February 2023

Independent Auditor's Review Report

To the shareholders of Nuix Limited

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of Nuix Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Nuix Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2022 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Report*** comprises:

- Consolidated statement of financial position as at 31 December 2022
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 16 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Group*** comprises Nuix Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

KPMG

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the Half-Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of an Interim Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG

Trent Duvall

Partner

Sydney

20 February 2023

NUIX VALUES

T — **TAKE OWNERSHIP_**
AND FOLLOW UP

R — **RESILIENT_**
WE LEARN FROM THE PAST AND ARE OPTIMISTIC ABOUT TOMORROW

U — **UNAFRAID_**
TO DO THE RIGHT THING, QUICKLY

T — **TEAM NUIX_**
FIRST AND FOREMOST

H — **HERO OUR CUSTOMERS_**
AND INNOVATE FOR THEM

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

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