Nuix Limited and Controlled Entities

Appendix 4D and Consolidated Interim Financial Report

For the half-year ended 31 December 2021

A.C.N 80 117 140 235

ASX Code: NXL

FINDING TRUTH IN A DIGITAL WORLD

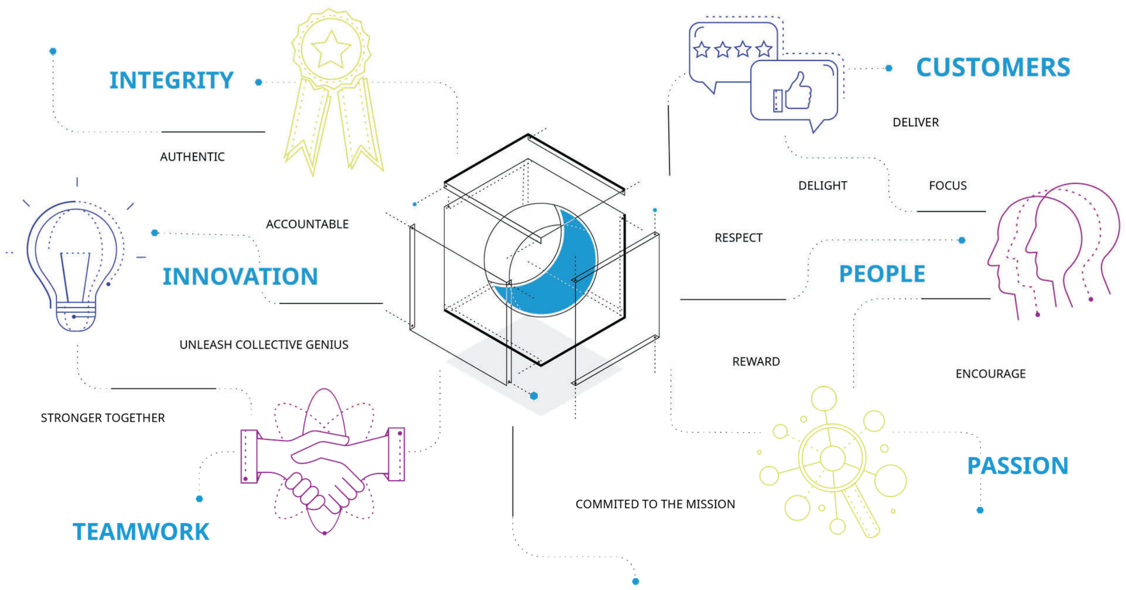


Table of contents

ASX Appendix 4D

Results for announcement to the market

Statutory results for the period ended 31 December	% change	1H FY2022 $000	1H FY2021 $000
Revenue from ordinary activities	Down 1.5%	84,020	85,326
Loss from ordinary activities after tax attributable to members	Up 86.0%	(2,324)	(16,565)
Loss for the period attributable to members	Up 86.0%	(2,324)	(16,565)

Pro forma results for the period ended 31 December [1]	% change	1H FY2022 $000	1H FY2021 $000
Revenue	Down 1.5%	84,020	85,326
Earnings before interest, tax, depreciation & amortisation	Down 56.4%	13,762	31,575
Net profit after tax	Down 124.5%	(2,324)	9,492

Other Information

Dividends

It is not proposed that dividends be paid for the half-year ended 31 December 2021 (31 December 2020: nil).

Dividend reinvestment plan

Nuix Limited has not implemented a dividend reinvestment plan.

Net Tangible Assets ('NTA') backing[1]

As at 31 December	2021	2020
NTA[2] (thousands of dollars)	52,216	65,542
Number of shares (thousands)	317,315	317,305
NTA per share (cents)	16.5	20.7

Explanation of results

Please refer to the Review of Operations 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 2021. 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 and ASX Listing Rules.

Supplementary comments

Additional information may be found in the media release and investor presentation lodged with the ASX on 21 February 2022 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

During the half-year, the Group acquired Topos Labs, LLC. The group has no interests in associates or joint ventures during either the current or prior corresponding periods.

---

[1] Pro forma results for 31 December 2020 have been adjusted for costs associated with the IPO, consistent with adjustments in the Prospectus dated 18 November 2020

[2] 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 2021.

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, appointed 6 October 2021
- Daniel Phillips — Non-Executive Director
- Sir Iain Lobban — Non-Executive Director
- Susan Thomas — Non-Executive Director
- Rodney Vawdrey — Executive Director, resigned 6 December 2021
- Jacqueline Korhonen — Non-Executive Director, appointed 6 October 2021
- Jonathan Rubinsztein — Executive Director, appointed 6 December 2021

2. Operating and financial review

The operating and financial review for the half year ended 31 December 2021 has been designed to provide shareholders with a clear and concise overview of the Group's operations, financial position, business strategies and prospects. The review also discusses the impact of key transactions and events that have taken place during the reporting period, to allow shareholders to make an informed assessment of the results. Information that, if disclosed could give rise to likely material detriment to Nuix, for example, information that is commercially sensitive, confidential or could give a third party a commercial advantage has not been included.

The operating and financial review includes proforma numbers for the half year ended 31 December 2021 and the comparative period prepared on the same basis as presented in the Prospectus dated 18 November 2020.

The pro forma adjustments for the prior corresponding period remove the impact of offer costs, non-recurring transaction costs related to a sale process explored by Nuix as an alternative to the offer, and share-based payment expenses in respect of existing options that were cancelled on completion that were recognised in that period. The pro forma adjustments for that prior corresponding period also provide for a full half-year of listed company costs and the relevant tax impact of the pro forma adjustments. There have been no pro forma adjustments made to the results for the period ended 31 December 2021.

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

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

2.1. Principal activities

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

2.2. Significant changes in the state of affairs

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

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

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

2.3 Group performance

Update on strategic refresh

During the half-year the Group has made significant progress on its strategic refresh, with a focus on customer re-centring every aspect of our business. The evolving needs of customers is critical to returning the group to the high growth levels that it is capable of. The objectives of the strategic refresh are to:

- be a customer-centric organisation;
- return to strong top-line growth;
- have a simple structure with clear accountabilities;
- be a great place to work; and
- build trust with our investors.

Once the outcomes of the strategic refresh have been fully implemented, the Group will have:

- simplified annualised performance metrics to highlight growth;
- focused on areas where we will win across industries and geographies;
- improved sales enablement and account management;
- increased investment in alliances and channel; and
- a simplified organisation structure to support alignment, accountability and agility.

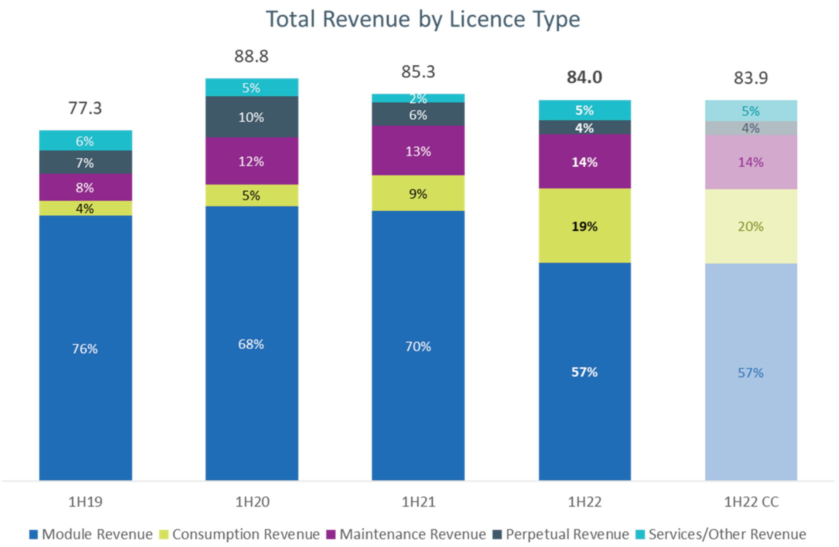
Technology highlights in the half

The Nuix platform continues to be a suite of software applications that is enabled by the powerful, proprietary, data processing Nuix Engine. During the half-year there has been substantial progress in the below areas:

- Further Investment in SaaS Platform – engineering team ran successful proof of concept unifying the end-to-end Nuix platform leveraging the cloud and parallel processing;
- Automation – general availability of Automation, allowing customers to reduce time spent configuring and managing processing jobs and seamlessly transition workflows between Nuix products. An important building block of Nuix's next generation SaaS platform;
- FedRAMP – as part of the FedRAMP accreditation, Nuix released world-class end-to-end encryption meeting FIPS140-2 standards into its US Government Cloud Region;
- Cloud-based investigations – working with AWS, developed a National Intelligence and Defense investigation platform, meaning agencies can quickly mobilise to respond to Royal Commissions and Colonial Inquiries; and
- ISO Certification – renewal and addition of certifications to product stack, demonstrating commitment to security and an important step in expanding the SaaS footprint.

Revenue

Statutory revenue for the half-year was $84,020,000, down 1.5% on the prior corresponding period (1.6% on a constant currency basis[1]).



Traditional module-style licenses continue to drive the bulk of statutory revenue, however there has been a significant increase in the amount of statutory revenue derived from sales of licences that are priced on a consumption basis, primarily as a result of the change in one of our large advisory customers from a module licence to a consumption based pricing arrangement for a multi-year minimum seven figure commitment.

New business for the half-year was $9,201,000, down from the prior half year of $13,119,000.

This decrease in new business in the half-year was primarily a result of several large new business deals which occurred during the prior corresponding period, and the delay in closing a substantial seven figure new business deal which completed in January at the end of a 12 month sales cycle. Sales cycle times for new business deals are tending towards 200+ days, however we are starting to see the impact of investments made in our sales and distribution function over the last year.

In North America, revenues were $5,948,000 (13.1%) higher than the prior corresponding period, primarily the result of the renewal of two large multi-year deals, one of which being a large advisory switching from a module based pricing arrangement to consumption based pricing.

Our EMEA business continued to achieve high levels of renewals, however upsell and new business performance was not strong enough to offset the impact of two large multi-year deals with large advisories recognised in the prior corresponding period, leading to an overall decrease in revenues for the region of $8,580,000. A significant SaaS contract has been agreed during the period with a major German multinational corporation for in-house legal use case, and Nuix has been selected as technology of choice for Project NEMO – a platform to fight transnational organised crime, funded by the European Union.

Growth in Asia Pacific of $1,326,000 (9.9%) was driven by uplifts for renewals during the half-year for corporates, law firms and government agencies. Corporate sector growth driven by governance and insider threat use cases.

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

- Constant currency rates are calculated by dividing the total 1H FY2021 consolidated AUD revenue associated with a currency by the total 1H FY2021 transaction currency revenue of the same currency, providing a weighted average exchange rate based on statutory revenue transaction in 1H FY2021. This is then checked against the average daily rate provided by the RBA for appropriateness.
- This modified rate is then applied at a transaction level across 1H FY2022 revenue to ensure that all metrics (region, domain, profit and loss department, etc.) are re-weighted appropriately.
- Where there is a cost transaction in a currency where there have been no revenue transactions, the average RBA rate for 1H FY2021 is used.
- Exchange rates used for constant currency calculations were: USD 1.3766; EUR 1.6276; GBP 1.8108 and CAD 1.0713.

NPAT result

Statutory loss after tax for the half-year amounted to $2,324,000.

The statutory loss after tax for the half-year includes the impact of a substantial increase in legal fees of $9,084,000 compared to the prior corresponding period. There was also an additional employee benefit expense of $1,279,000 related to the part of the service period completed in the half-year for a portion of cash payments anticipated to be made to the selling shareholders of Topos for achieving milestones. This portion is required to be treated as an employee benefit arrangement, and not part of the consideration for the business combination, as the payment is contingent on continuing employment post acquisition.

When compared to the prior corresponding period:

- Statutory loss after tax has reduced $14,241,000 – primarily as a result of the one-off costs associated with the offer in H1 F21 not being repeated in the current period, offset by these higher legal and employee benefit expenses mentioned above; and
- Pro forma profit after tax has reduced $11,816,000 – primarily as a result of the higher legal and employee benefit expenses mentioned above, in conjunction with the lower revenue result for the half-year compared to the prior corresponding period of $1,306,000.

Excluding the impact of higher legal fees and the additional employee benefit expenses related to payments anticipated to be made to shareholders of Topos, the profit after tax would have otherwise been $4,930,000.

The pro forma NPAT result is reconciled to the statutory NPAT in table below.

Pro forma adjustments to statutory NPAT

	1H FY22 $000	1H FY21 $000
Statutory net (loss) / profit after tax	**(2,324)**	**(16,565)**
Incremental public company costs	-	(2,980)
Corporate actions	-	2,637
Net finance costs	-	-
Offer costs	-	33,291
Share-based payment expense	-	2,993
Tax impact	-	(9,884)
Pro forma net profit after tax	**(2,324)**	**9,492**

Software revenue metrics

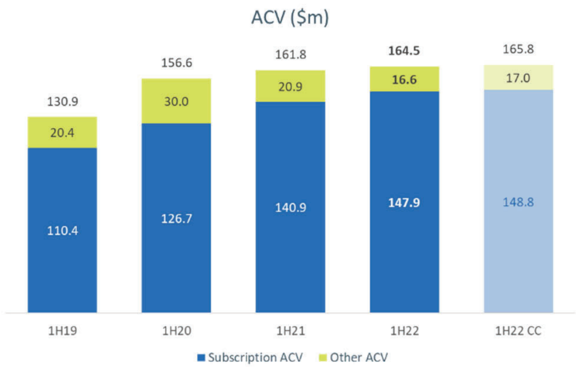
Software companies like Nuix operate on many of the same performance metrics as traditional companies, such as revenue and cash flow. However, understanding the performance of software companies and being able to benchmark them is assisted by an understanding of specific non-GAAP metrics. The primary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

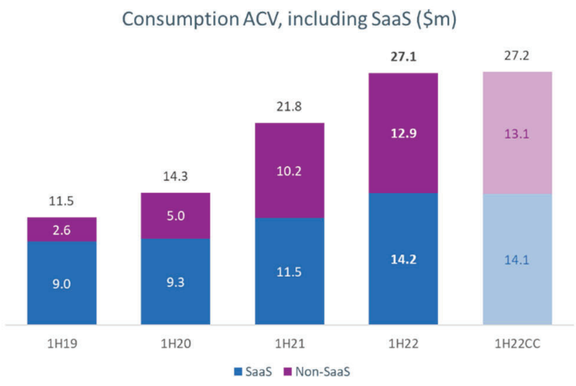
Annualised Contract Value ('ACV')

Annualised Contract Value (ACV) at 31 December 2021 was $164,500,000, up 1.7% compared to 31 December 2020 (up 2.4% on constant currency basis). Subscription ACV grew 4.6% compared to 31 December 2020.

Consumption ACV, being a subset of Subscription ACV continues to demonstrate strong growth as a result of the continuation of the trend for customers shifting to licences with consumption based pricing metrics. In the half-year a large advisory renewed on-premise licences on a consumption pricing basis, contributing to the majority of the $2.7m increase in consumption ACV from non-SaaS arrangements compared to the prior corresponding period. Growth in customer use of our SaaS offerings has continued to be strong, with a 23.4% increase in SaaS consumption ACV compared to the prior corresponding period.

The composition of ACV streams is illustrated below:





Definition and basis of preparation

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

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

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

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

Cash flows

Cash and cash equivalents have decreased $18,348,000 since 30 June 2021 in part due to the $6,861,000 upfront payment (net of cash acquired) for the acquisition of Topos, and the $3,909,000 paid in relation to legal fees during the half-year.

In addition to these payments in the half-year, as an increased portion of the sales made during the period have been in relation to multi-year deals (43.9% for the half-year compared to 36.3% for the year ended 30 June 2021), this has resulted in a higher balance for trade and other receivables, and a larger decrease in the cash received from customers compared to the statutory revenue reduction.

Cash available at the end of the half remains robust at $52,517,000.

Funding

Nuix Limited holds a cash balance of $52,517,000 as of 31 December 2021, and has a Facility Agreement with the Commonwealth Bank of Australia ('CBA') which provides funding through a Cash Advance Facility.

Funding under the Cash Advance Facility is made 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 fluctuates from period to period, with $50,336,000 being available under these facilities as of 31 December 2021 (30 June 2021: $50,000,000).

For the abundance of caution the Company sought (and CBA agreed to) waivers of potential technical or administrative breaches of the Facility Agreement which may have been subsisting as at 31 December 2021 (including a waiver, until 31 March 2022), of any breaches which may have arisen as a result of the ASIC investigation previously disclosed to the market. This waiver was entered into prior to the end of the half-year ended 31 December 2021. The Company had fully paid all of those facilities as of 31 December 2021 and has not drawn down any additional funding during the half-year ended 31 December 2021, nor has it drawn down on funding since 31 December 2021.

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

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

2.4 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.

2.5 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 12 and forms part of the Directors' Report for the half-year ended 31 December 2021.

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

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

SIGNED: ________________________________

Jeffrey Bleich

Chairman

Sydney, Australia

21 February 2022

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 2021 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

KPMG

Kenneth Reid

Partner

Sydney

21 February 2022

Nuix Limited and Controlled Entities

Consolidated Interim Financial Report

For the half-year ended 31 December 2021

Consolidated statement of comprehensive income

For the half-year ended 31 December 2021

	Notes	31 Dec 2021 $000	31 Dec 2020 $000
Revenue	5	84,020	85,326
Cost of goods sold		(8,527)	(9,202)
Gross profit		75,493	76,124
Sales and distribution		(29,713)	(25,839)
Research and development		(22,395)	(19,169)
General and administration	4	(27,353)	(50,779)
Other income	6	539	526
Net realised and unrealised foreign exchange gains / (losses)		721	(3,119)
Operating loss		(2,708)	(22,256)
Finance costs	4	(612)	(783)
Loss before income tax		(3,320)	(23,039)
Income tax benefit	7	996	6,474
Loss for the period		(2,324)	(16,565)
Other comprehensive income			
Items that may be reclassified to profit or loss Exchange differences on translation of foreign operations	10	3,574	(10,300)
Other comprehensive income, net of tax		3,574	(10,300)
Total comprehensive income (loss) for the period, net of tax		**1,250**	**(26,865)**

Loss per share		**Cents**	**Cents**
Basic	11	(0.01)	(0.06)
Diluted	11	(0.01)	(0.06)

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

The change in classification of comparative period balances is detailed in Note 1.6.

Consolidated statement of financial position

As at 31 December 2021

	Notes	31 Dec 2021 $000	30 Jun 2021 $000
Current assets			
Cash and cash equivalents		52,517	70,865
Trade and other receivables (including contract assets)		69,308	63,767
Other current assets		6,413	6,209
Total current assets		128,238	140,841
Non-current assets			
Deferred tax asset		5,411	5,225
Intangible assets		228,178	197,415
Property and equipment		2,415	2,018
Right of use assets		12,207	9,036
Non-current receivables		15,700	9,474
Total non-current assets		263,911	223,168
Total assets		392,149	364,009
Current liabilities			
Current tax liabilities		554	571
Trade and other payables		24,621	19,754
Deferred revenue		44,731	33,832
Provisions		2,519	2,878
Lease liabilities		2,746	2,635
Other current liabilities	13	7,114	-
Total current liabilities		82,285	59,670
Non-current liabilities			
Deferred tax liabilities		1,461	2,467
Deferred revenue		5,173	11,528
Provisions		410	542
Lease liabilities		11,899	8,727
Other non-current liabilities	13	6,577	-
Total non-current liabilities		25,520	23,264
Total liabilities		107,805	82,934
Net assets		**284,344**	**281,075**
Equity			
Issued capital	9	370,696	370,696
Reserves	10	(168,729)	(174,322)
Retained earnings		82,377	84,701
Total equity		**284,344**	**281,075**

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 2021

	Issued capital $000	Share option reserve $000	Foreign currency translation reserve $000	Retained earnings $000	Total equity $000
Balance at 1 July 2020	**104,227**	**(654)**	**5,797**	**86,108**	**195,478**
Loss for the half-year	-	-	-	(16,565)	(16,565)
Other comprehensive income, net of tax	-	-	(10,300)	-	(10,300)
Total comprehensive income	-	-	(10,300)	(16,565)	(26,865)
Contributions of equity, net of transaction costs and tax	266,419	-	-	-	266,419
Cancellation of options with existing optionholders	-	(175,040)	-	-	(175,040)
Share-based payments	-	2,835	-	-	2,835
Balance at 31 December 2020	**370,646**	**(172,859)**	**(4,503)**	**69,543**	**262,827**
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**

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 2021

	Notes	31 Dec 2021 $000	31 Dec 2020 $000
Cash flows from operating activities			
Receipts from customers		79,583	83,787
Payments to employees and suppliers[1]		(65,919)	(67,677)
Interest received		-	17
Interest paid		(612)	(139)
Income tax paid		(25)	(75)
Net cash provided from operating activities		**13,027**	**15,913**
Cash flows from investing activities			
Purchase of property and equipment		(854)	(269)
Purchase of intangible assets		-	(124)
Payments for software development costs		(21,781)	(16,736)
Acquisition of Topos Labs, LLC, net of cash acquired		(6,861)	-
Net cash used in investing activities		**(29,496)**	**(17,129)**
Cash flows from financing activities			
Proceeds from the issue of ordinary shares	9	-	275,611
Payments to optionholders for cancellation of options	10	-	(175,614)
Payments for share issue costs[1]		-	(6,156)
Payments of principal on lease liabilities		(1,737)	(1,764)
Transaction costs on borrowings		-	-
Net cash provided by financing activities		**(1,737)**	**92,077**
Net change in cash and cash equivalents		(18,206)	90,861
Cash and cash equivalents at beginning of financial period		70,865	38,539
Exchange differences on cash and cash equivalents		(142)	(1,157)
Cash and cash equivalents at end of period		**52,517**	**128,243**

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

[1] In the prior corresponding period, cash flows related to payment of offer costs are recognised in the statement of cash flows between operating activities and financing activities, on a basis consistent with the split between recognition in equity and profit and loss. The total amount of cash paid for offer costs during the prior corresponding period was $21,285,000 of which $15,129,000 was recognised within payments to employees and suppliers as part of operating activities, and $6,156,000 was recognised as payments for share issue costs as financing activities. No payments in relation to offer costs occurred in the half-year ended 31 December 2021.

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 2021 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 21 February 2022.

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 2021. 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, except for the estimation of income tax (see Note 7) 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 2021. 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 2021 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 Significant events and transactions

The Group acquired Topos Labs, LLC on 20 September 2021, a developer of Natural Language Processing software that helps computer systems better understand text and spoken words at speed and scale. Refer to Note 12 for further details related to the accounting for transactions related to this acquisition, and an explanation of how the acquisition has impacted the results for the half-year ended 31 December 2021.

COVID-19 was declared a pandemic by the World Health Organisation on 11 March 2020. The outbreak and the response of governments in dealing with the pandemic are interfering with general activity levels within the community and the economy. The scale and duration of these developments continue to remain uncertain. Nuix has continued to operate through COVID-19 (and government restrictions to manage the pandemic) with the majority of staff able to carry out their roles, working remotely where required, in developing software, entering into new customer contracts, supporting and training customers, and operating the business.

For a detailed discussion about the Group's performance and financial position, refer to the Review of Operations included in the Director's Report.

1.6 Changes in classification and presentation

The Group amended the classification and presentation of share-based payment expenses to reflect more appropriately the functions that incur these costs. Comparative amounts in the statement of profit and loss and other comprehensive income were reclassified for consistency. As a result, amounts of $775,000, $717,000 and $1,917,000 were reclassified to the comparative sales and distribution, research and development and general and administration costs respectively.

1.7 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, with the exception of those areas arising in the half-year from the accounting for the acquisition of Topos.

1.7.1 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 the fair value measurement of consideration paid, and of the acquired assets and assumed liabilities. Where such acquisitions include earnout arrangements forming a view on whether they are expected to be achieved can require significant judgement.

Determining whether arrangements are part of the business combination

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

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

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

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

Measurement of fair values at acquisition date

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

Contingent consideration:

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

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

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

Acquired intangible assets:

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

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

1.7.2 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 for 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, market conditions, competitive landscape and pricing practices.

Recognition of revenue on sales made through partners

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

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

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

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

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

1.7.3 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 non-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 for all grants of options made subsequent to the IPO.

1.7.4 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.

1.7.5 Uncertain tax position

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

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

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

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

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

In the FY2021 the Group initiated an early engagement request with the ATO to obtain certainty in relation to the overseas development expenditure on the Endpoint project for the years ended 30 June 2016 to 30 June 2019.

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

Pending the outcome of such early engagement with the ATO the Group has amended its filed tax position for the year ended 30 June 2019 to align the tax return treatment with the financial statement treatment adopted in the finalisation of the FY2020 financial statements (i.e. tax asset of $1,477,700 in relation to FY2019 was not recognised in the FY2020 financial statements). The tax treatment applied in the anticipated filed positions for the years ended 30 June 2019 and 30 June 2020 is consistent with the treatment applied in the preparation of the financial statements, and management have concluded that it is probable that the tax authority will accept the treatment applied in the filed positions for the years ended 30 June 2016 through 30 June 2018. Should the treatment applied in relation to the filed positions for the years ended 30 June 2016 through 30 June 2018 not be accepted, the financial effect as of 31 December 2021 would be that a deferred tax asset of $3,640,000 and a deferred government grant revenue balance of $1,644,904 would be derecognised.

The Group has exercised judgement in determining that it is probable that expenditure for the years ending 30 June 2019, 30 June 2020, 30 June 2021 and for the half-year to 31 December 2021, which may be ineligible for R&D tax offset, will be accepted by the ATO on examination with full knowledge of related information, as being eligible for deduction under section 8-1 ITAA 1997 having a revenue characterisation.

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

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

1.7.6 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 13 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	
	2021 $000	**2020 $000**
Software	80,049	83,462
Services	3,358	1,825
Hardware	613	39
Total revenue	84,020	85,326

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	
	2021 $000	**2020 $000**
EBITDA	13,762	(4,366)
Interest expense	(612)	(783)
Depreciation and amortisation	(17,191)	(14,771)
Net foreign exchange gains / (losses)	721	(3,119)
Loss before income tax	(3,320)	(23,039)
Income tax benefit	996	6,474
Net loss after tax	(2,324)	(16,565)

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	
	2021 $000	2020 $000
Asia Pacific	14,678	13,352
Americas	51,374	45,426
Europe, Middle East and Africa (EMEA)	17,968	26,548
	84,020	85,326[1]

Non-current assets by geographic location:

	31 Dec 2021 $000	30 Jun 2021 $000
Asia Pacific	131,391	121,272
Americas	130,941	99,604
Europe, Middle East and Africa (EMEA)	1,579	2,292
	263,911	223,168

4. Profit for the period

The profit for the period has been arrived at after recognising the following items:

	For the half year ended 31 December	
	2021 $000	2020 $000
Expenses (included in general and administration)		
Legal fees	9,340	256
Offer costs[2]	-	32,277
Corporate action / trade sale[3]	-	2,637
Listing fees	-	1,014
Employee benefit expenses (inclusive of share-based payment expenses)		
Sales and distribution	25,267	23,266
Research and development	5,398	5,430
General and administration	7,795	9,070
Finance costs		
Interest expense	612	783
Depreciation and amortisation (recognised across functions)		
Sales and distribution	1,141	1,223
Research and development	15,306	12,995
General and administration	744	553

[1] Revenues by region for the prior period have been updated for consistency with the method for allocation used to report to CODM in FY22.

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

[3] Relates to one-off costs of a sale process explored by Nuix Limited as an alternative to the Offer in the prior corresponding period.

5. Revenue

Disaggregation of revenue

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

Revenue by type

	For the half year ended 31 December	
Revenue	**2021 $000**	**2020 $000**
Subscription licences	48,752	59,524
Perpetual licences	15,050	16,136
Consumption licences	16,247	7,802
Total licence revenues (including related support and maintenance)	80,049	83,462
Professional services	3,358	1,825
Hardware	613	39
Total other revenues	3,971	1,864
Total revenues	84,020	85,326

Timing of revenue recognition

	For the half year ended 31 December	
Timing of revenue recognition	**2021 $000**	**2020 $000**
Point in time	51,534	55,510
Overtime	32,486	29,816
	84,020	85,326

6. Other income

	For the half year ended 31 December	
	2021 $000	**2020 $000**
Government grant income	539	509
Other income	-	17
	539	526

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 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 period.

The estimated average annual tax rate used for the year to 30 June 2021 is 30% (31 December 2021: 28.1%).

8. Funding arrangements

Nuix Limited holds a cash balance of $52,517,000 as of 31 December 2021, and has a Facility Agreement with the Commonwealth Bank of Australia ('CBA') which provides funding to the Company through a Cash Advance Facility. Funding under the Cash Advance Facility is made available under two tranches, being Tranche A for AUD $40,000,000, and Tranche B for USD $7,500,000. Accordingly, the available funding under the facilities as denominated in Australian dollars fluctuates from period to period, with $50,336,000 being available under these facilities as of 31 December 2021 (30 June 2021: $50,000,000). The Company had fully paid all of these facilities as of 31 December 2021 and has not drawn down any additional funding since 31 December 2021.

For the abundance of caution the Company sought (and CBA agreed to) waivers of potential technical or administrative breaches of the Facility Agreement which may have been subsisting as at 31 December 2021 including a waiver, until 31 March 2022, of any breaches which may have arisen as a result of the ASIC investigation previously disclosed to the market and in Note 15.

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

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

9. Issued capital

	For the half year ended 31 December 2021			
Movements in ordinary shares	**2021 Shares**	**2020 Shares**	**2021 $000**	**2020 $000**
Opening balance	317,314,794	265,400,633	370,696	104,227
Shares issued on IPO, net of costs	-	51,904,161	-	275,611
Transaction costs arising from issue of shares, net of tax	-	-	-	(9,192)
Closing balance[1]	317,314,794	317,310,794	370,696	370,646

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 aside from debt covenants.

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.

In the prior corresponding period, a total of 38,961,408 options were cancelled on completion of the offer for cash (calculated as the Offer Price less the exercise price of the options). The Company concluded that on 18

[1] Table in Note 9 reflects movement in issued capital balances for the current period and corresponding prior period through till 31 December. Between 31 December 2020 and 30 June 2021, 10,000 options were exercised over ordinary shares of the company for an exercise price of $5.01 each, increasing the issued capital balance by $50,100 as of 30 June 2021 compared to 31 December 2020.

November 2020 when the Prospectus was published, optionholders would consider it being more probable than not that their share-based payment arrangements would be cash settled (for an aggregate sum of $175,614,000).

On the basis that part of the service period was outstanding and being performed between 18 November 2020 and listing on 4 December 2020, a portion of the amount for which the options were cancelled ($574,000) was recognised in profit and loss as a cash settled share-based payment.

	For the half year ended 31 December	
Movements in reserves	**2021 $000**	**2020 $000**
Share-based payment reserve		
As at 1 July	(171,640)	(654)
Share-based payment arrangements	2,019	2,835
Cancellation of options	-	(175,040)
As at 31 December	(169,622)	(172,859)
Foreign currency translation reserve		
As at 1 July	(2,681)	5,797
Foreign currency translation reserve	3,574	(10,300)
As at 31 December	893	(4,503)
Total Reserves	(168,729)	(177,362)

11. Earnings per share

	For the half year ended 31 December	
	2021 $000	**2020 $000**
(Loss) / profit from continuing operations	(2,324)	(16,565)
Weighted average number of ordinary shares (basic)	317,314,794	273,299,092
Basic earnings per share (in dollars)	(0.01)	(0.06)
(Loss) / profit from continuing operations	(2,324)	(16,565)
Weighted average number of ordinary shares (basic)	317,314,794	273,299,092
Effect of share options and performance rights	Antidilutive[1]	Antidilutive
Diluted weighted average number of ordinary shares	317,314,794	273,299,092
Diluted earnings per share	(0.01)	(0.06)

[1] In the half-year ended 31 December 2021, and 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 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 half-year ended 31 December 2021 (31 December 2020: Antidilutive).

12. Acquisition of Topos Labs, LLC

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

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

In the period since acquisition to 31 December 2021, Topos incurred a loss of $2,098,000, inclusive of $1,279,000 for employee benefit expenses related to payments for expected milestone achievement that are treated as being separate arrangements to the acquisition (see below), and amortisation of acquired intangibles of $301,000. Included in this loss since acquisition, are post acquisition revenues of $83,000.

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

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

A. Consideration

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

	Notes	$000
Cash		6,868
Contingent consideration	13	12,999
Total consideration		19,867

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

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

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

The impact of treating these arrangements as separate to the acquisition and as employee benefit arrangements in the half-year ended 31 December 2021, has been that an employee benefit expense of AUD $1,279,000 has been recorded in relation to partial satisfaction of the relevant service periods towards points in time that milestones are anticipated to be achieved. To the extent that a milestone is not anticipated to be achieved, no recognition of employee benefit expenses is required, and should there be a change in expectations on achievability of milestones, this is to be adjusted in profit and loss on a cumulative catch up basis.

Contingent consideration that is part of the arrangement to acquire Topos, as its purpose is to verify or establish the fair value of the acquired business and its payment is not contingent on continued employment or service provision is measured at fair value as described in Note 13. The acquisition date fair value of the consideration assessed to be part of the arrangement to acquire Topos, was determined to be AUD $12,999,000.

B. Identifiable assets acquired and liabilities assumed

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

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

Fair values measured on a provisional basis

The fair value of the assets acquired and liabilities assumed has been measured provisionally, as the Group is pending information related to the determination of tax bases of acquired assets, and may receive further information about contingent liabilities that exist as of acquisition date.

C. Goodwill

Goodwill arising from the acquisition has been recognised as follows:

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

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

13. Other liabilities

	For the half year ended 31 December	
	2021 $000	2020 $000
Contingent consideration	7,114	-
Other current liabilities	**7,114**	**-**
Contingent consideration	5,977	-
Other non-current liability	600	-
Other non-current liabilities	**6,577**	**-**

Contingent consideration payable

The Group has recognised a liability measured at fair value as of 31 December 2021 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.

	For the half year ended 31 December	
Contingent consideration	**2021 $000**	**2020 $000**
Opening balance	-	-
Additions	12,999	-
Foreign exchange difference	59	-
Change in fair value estimate	-	-
Unwinding of interest	33	-
Cash payments	-	-
Closing balance	**13,091**	**-**

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.

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

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

14. Dividends

During the half year, the Directors did not declare an interim dividend (2020: Nil) and have not subsequent to balance date recommended a dividend to be paid (2020: Nil).

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

Despite the 2019 Judgment, on 23 October 2020 Mr Sheehy commenced proceedings against Nuix in the Federal Court of Australia alleging that Nuix has acted inconsistently with the terms of the 2008 options agreement and has acted in an oppressive, unfairly prejudicial, unfairly discriminatory and/or unconscionable way against him. Mr Sheehy seeks orders to the effect that a sale of business for the purposes of the 2008 options agreement has occurred and that he is now entitled to exercise, and has validly exercised on 27 January 2021, his 453,273 options in return for 22,663,650 shares in Nuix as a result of a 1 for 50 share split conducted by Nuix in March 2017. Mr Sheehy alleges that it was an implied term of his 2008 options agreement with Nuix that '*if the shares of [Nuix] were split by a particular divisor, upon exercise of the options [Mr Sheehy] would be issued with the number of shares set out in the 2008 Option Agreement multiplied by the divisor, and that the exercise price of the options would be the exercise price divided by the divisor*'.

Mr Sheehy seeks declarations as to his alleged entitlements, compensation and damages.

Nuix rejects Mr Sheehy's claim in its entirety and is defending the proceedings. In particular, Nuix maintains that the dispute was properly compromised and validly determined by the Judgment issued by the NSW Supreme Court in 2019 and it is not open for Mr Sheehy to seek to re-litigate the issue, that Mr Sheehy's options were not the subject of the 2017 share split and that, in any event, no 'sale of the business' of the kind contemplated by the parties in the 2008 options agreement has occurred with the effect that none of Mr Sheehy's options are presently exercisable at all.

The matter is set down for hearing on 27 June 2022.

If Mr Sheehy's new claim were successful, it may result in an additional 22,210,377 shares becoming issuable in relation to Nuix's equity-based compensation schemes and/or a potential damages payment. Mr Sheehy alleges that he has suffered damages in the range of $96.9m to $182.4m depending on the date at which the shares should have been issued and the manner in which he alleges they should have been disposed of. Nuix is due to file evidence in response to the quantum of damages sought by Mr Sheehy on 28 March 2022. If Mr Sheehy was to be unsuccessful in relation to his claims, he would not be entitled to any payment from Nuix.

ASIC Investigation

As previously disclosed to the market, ASIC has been conducting an investigation in relation to potential contraventions of the Corporations Act concerning Nuix. ASIC's investigations relevantly concern: 1) the financial statements of Nuix Limited for the period ending 30 June 2018, 2019 and 2020; 2) Nuix's prospectus dated 18 November 2020; and 3) Nuix's market disclosure in the period between the period 4 December 2020 to 31 May 2021.

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

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

Class Actions

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 disclosure concerning forecast FY21 revenue. The claim does not identify the amount of any damages sought. Nuix disputes the allegations and will be defending the claim.

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. Nuix disputes the allegations and will be defending the claim.

16. Related party disclosures

A. Key Management Personnel ('KMP') compensation

		For the half year ended 31 December	
		2021 $	2020 $
Short-term employee benefits		2,279,457	1,210,768
Post-employment benefits		60,985	31,685
Long-term benefits		110,090	109,424
Share-based payment expense		576,313	830,322
Termination benefits		350,000	-
Total[1]		**3,376,845**	**2,182,199**

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.

[1] Executive Vice President, International and Executive Vice President, Americas were determined to have become KMPs on 15 June 2021, and accordingly their remuneration for the prior corresponding period is not disclosed in the above table.

B. Transactions with other related parties

Macquarie Corporate Holdings

Macquarie Corporate Holdings has an interest of 30% in Nuix (2021: 30%), which allows it to exercise significant influence over the Group. As a result, Macquarie Corporate Holdings and by extension all related entities of Macquarie Group Limited, are related parties to Nuix.

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

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

In the half-year ended 31 December 2021, in accordance with the alliance agreement, the pricing for the arrangement for yeas four, five and six was agreed at a total amount of $2,681,217.

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

- $1,961,861 was recognised as revenue from the licence renewal in December 2021; and
- $66,683 was recognised as revenue from the provision of support and maintenance coving the last five months of the initial three-year period, and the first month of the renewal period.

As of 31 December 2021, $699,393 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			
	2021 $		2020 $	
	Transaction	Outstanding balance	Transaction	Outstanding balance
Sales and purchases of goods and services				
Sale of licence to related parties	1,961,861	2,681,237	-	-
Support and maintenance	66,683	-	56,040	-
Underwriting fees	-	-	14,295,514	4,765,171

17. Events after the reporting date

As disclosed in Note 15, on 10 February 2022, Nuix has been notified by ASIC that it has completed the aspects of its investigation relating to 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. The aspects of ASIC's investigation relating to Nuix's market disclosure in the period between the period 4 December 2020 to 31 May 2021 is not yet complete.

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 13 to 35 are in accordance with the Corporations Act, including:

  (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

  (ii) give a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date, and

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

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

SIGNED: ____

Jeffrey Bleich

Chairman

Sydney, Australia

21 February 2022

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 2021 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 2021
- 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 17 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.

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 2021 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 a 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

KPMG

Kenneth Reid

Partner

Sydney

21 February 2022

nuix

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

APAC
Australia: +61 2 8320 9444

EMEA
UK: +44 203 934 1600

NORTH AMERICA
USA: +1 877 470 6849