nitro

Nitro Software Limited

2019
Annual Report

Contents

2019 Highlights

(All amounts are in US Dollars unless otherwise stated)

Licenced Users

2+ million

Business Customers[1]

10,982

Subscription Revenue Growth Rate (2017–2019)

111%

Net Revenue Retention

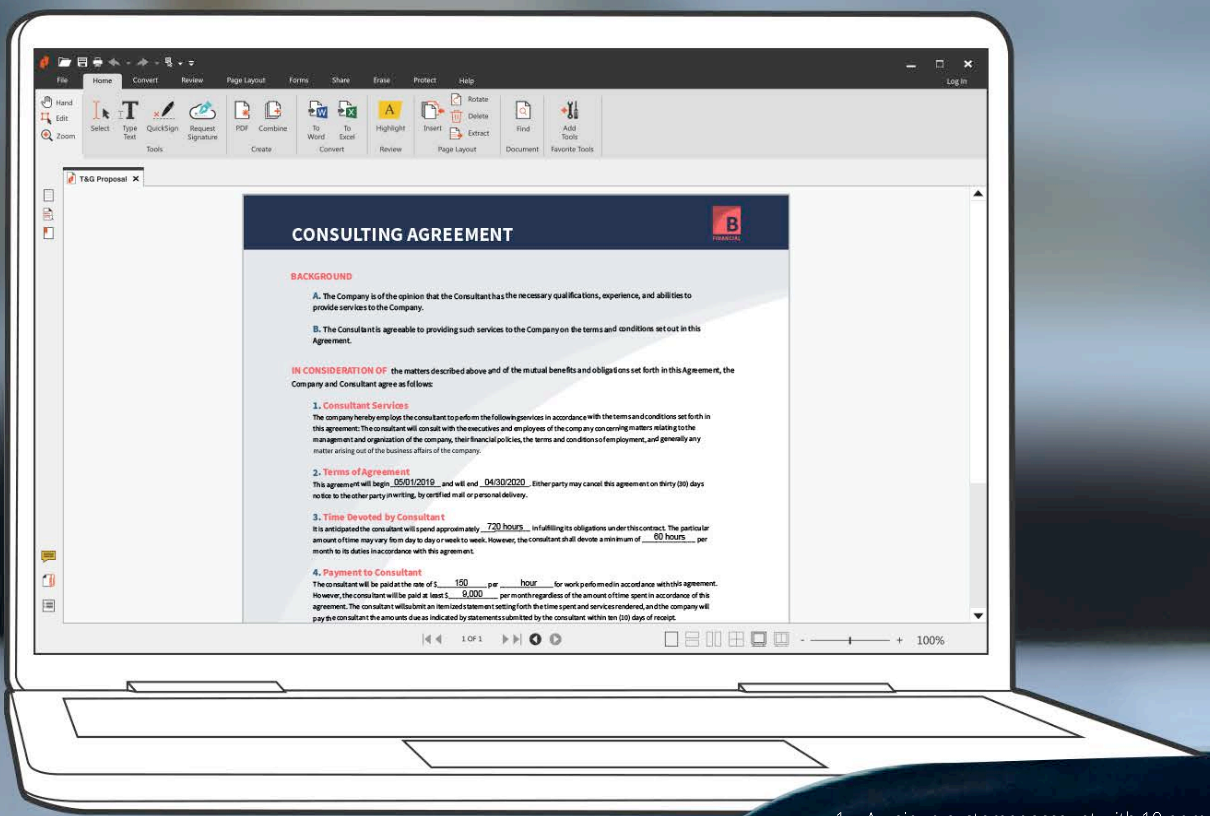
126%

Subscription Retention Rate

90%

New ARR Added

$6.7m



1. A unique customer account with 10 or more licences.

Our History

Launched
Nitro Pro

500K

500,000
Licences Sold

1M

1 Million
Licences Sold

2005

2009

2012

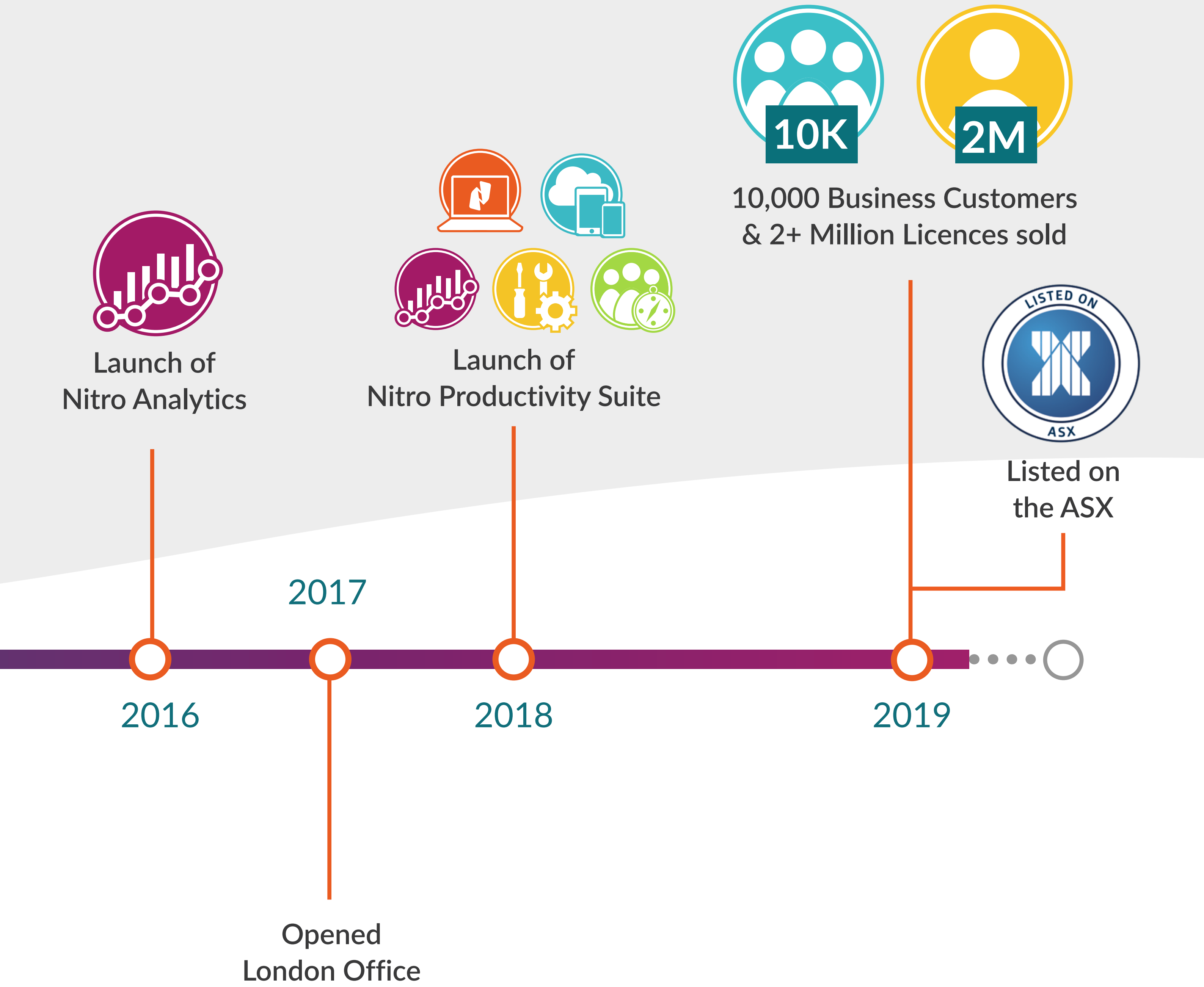
2014

2015

Founded
in Melbourne

Opened Headquarters
in San Francisco

Opened
Dublin Office


10K
2M
10,000 Business Customers & 2+ Million Licences sold
LISTED ON
ASX
Listed on the ASX
Launch of Nitro Analytics
Launch of Nitro Productivity Suite
2016
2017
2018
2019
Opened London Office

Chairman's Letter to the Shareholders

"As companies around the world have focused on employee safety and initiated work-from-home mandates, never before has the ability to be productive from anywhere been more important".

Dear Shareholder,

On behalf of your Board of Directors, it's my pleasure to present to shareholders Nitro's inaugural full-year results and Annual Report as a public company. As I write this letter, the world is facing a period of great uncertainty. The global impact of COVID-19 is unprecedented. At this time, our main priorities are ensuring the health and safety of our global workforce, continuing to serve our over 11,000 business customers, and to protect the interests of our stakeholders.

As companies around the world have focused on employee safety and initiated work-from-home mandates, never before has the ability to be productive from anywhere been more important. The Nitro Productivity Suite provides integrated PDF productivity, eSigning and analytics through a software-as-a-service (SaaS) and desktop software solution. Our offering boosts knowledge worker productivity, accelerates business processes, and saves our customers time and money, while enabling teams to do so from any location, even from home.

2019 Performance

In December, we listed on the Australian Securities Exchange (ASX), raising $41.4 million (net) of new growth capital, and began life as a public company. Our first financial results met or exceeded our prospectus forecast, and now, with over 11,000 business customers, including 65% of the 2019 Fortune 500, an extremely competitive product offering, and a robust balance sheet, we believe we are well positioned to weather the current storm and continue to drive business growth well into the future.

Our Team

Our employees are our number one asset. Our success is driven by a passionate, diverse and exceptionally talented team of over 130 professionals in our offices in San Francisco, Dublin, Melbourne and London. We are also supported by a global network of channel partners and resellers around the globe.

I would like to thank all Nitronauts worldwide for their dedicated efforts in delivering fantastic results in 2019!

Outlook

Our goal is to become a strategic partner to our customers by providing document productivity and workflow solutions that:

- Improve worker productivity, security and compliance
- Deliver business process acceleration
- Provide business intelligence and actionable insights
- Drive tangible and measurable ROI

We believe we have multiple opportunities and levers for growth across our broad and diverse customer base, while expanding our market share through an increasingly competitive offering that provides mission-critical solutions for knowledge workers in any industry. It is from this position that we are excited about the future of Nitro and driving significant shareholder value, no matter what environment and conditions we all face. Thank you for your support.

Yours sincerely,

Kurt Johnson
Chairman
Nitro Software Limited

CEO's Letter to the Shareholders

> "Our mission is to provide document productivity solutions that are highly intuitive, can be used from any device, are adaptable to any workflow, and are integrated with the most-used business applications".

Dear Shareholder,

2019 was a monumental year for Nitro. In addition to our ASX IPO in December, we continued to execute on our growth strategy and transition from perpetual-based licencing to a subscription-based recurring revenue business. For the year 37% of total revenue came from subscription licences, up from 21% in 2018. In the future we expect nearly all of our revenue to be recurring.

Key highlights for 2019 include:

- $35.7 million in total revenue, in line with the prospectus forecast
- Subscription revenue of $13.2 million, an increase of 91% YOY
- Ending ARR of $16.9 million, up 66% YOY
- 90% subscription revenue retention rate
- 120% net revenue retention
- Subscription licence growth up 133% over 2018

Now, as we start 2020, companies around the world are facing the challenges of the COVID-19 crisis and how to adapt to supporting and empowering the productivity of remote team members. At Nitro, we have implemented a global work-from-home operation and our team is as productive as ever. To date, we have not experienced any material impact on our business arising from the pandemic or developing economic crisis, in large part due to the recurring revenue characteristics of our business model, and the fact that we enable remote work and therefore, in some cases, are seeing new demand for our software solutions.

Opportunities for Growth in a Large Global Market

Our mission is to provide document productivity solutions that are highly intuitive, can be used from any device, are adaptable to any workflow, and are integrated with the most-used business applications. We have a large addressable market with clearly defined opportunities for growth, including:

- Expanding the use of the Nitro Productivity Suite across our 11,000-strong business customer base
- Winning new customers in the many global markets and industries in which we operate
- Cross-selling and up-selling new features and services
- Expanding into new geographical markets
- Accelerating product development, increasing our customer base, and expanding our resources through partnerships and acquisitions

As we release our first Annual Report as a public company, we are operating in an uncertain time, with a major health crisis and volatile global markets. We don't know how long the crisis will last, but we know it will pass. For the benefit of our employees, customers and you, our shareholders, we remain focused on daily execution and ensuring we are well-positioned for the future. We have a very strong balance sheet, products that enable remote work and may experience rising demand in these turbulent times, significant contracted and recurring revenues, and a large and growing market.

We thank all our Nitronauts, customers, partners and shareholders for their continued support and wish you safety and health in these challenging times.

Yours sincerely,

Sam Chandler
Co-Founder and CEO
Nitro Software Limited

Better Together

Since our founding 15 years ago, our focus at Nitro has been to serve our customers. Their success is our success, and we have always known that we can be even better together. We now serve millions of users every month and work with some of the world's largest and best-known companies.

- **We intend to deliver on our Promise** to transform the way the world works with documents.

- **We are constantly building on the Power** in the Nitro Productivity Suite to enable our customers to win.

- **We are committed to Partnership** and delivering industry-leading levels of service and support.

- **We stand by the Purpose** in our vision of a world of 100% digital document workflows because sustainability matters.

- **We are proud of our People**, the not-so-secret ingredient to our success.

OUR PROMISE

+

OUR POWER

+

OUR PARTNERSHIP

+

OUR PURPOSE

+

OUR PEOPLE

Our Promise

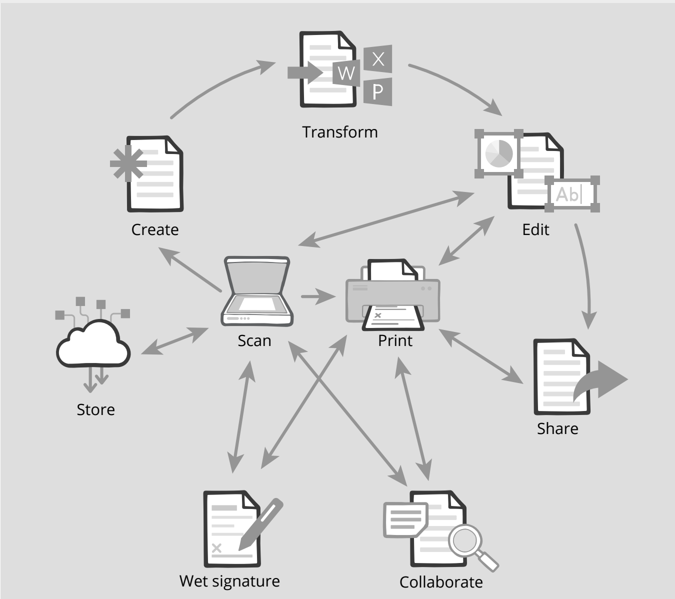
Workflows + Digital Transformation

Do organisations have adequate and efficient document processes? Based on Nitro's 2020 Productivity Report*, an overwhelming majority of knowledge workers all over the world (97%) said they see significant room to improve document processes across their organisations — a critical aspect to ensuring fully enabled remote work. One-third of respondents feel only slightly productive and 43% feel stress at work often. Those who work with 10 plus documents per day report the highest level of stress. Without the right document processes, most knowledge workers don't feel as efficient as they could be — in fact, they feel more stressed, less supported, less satisfied, and less able to meet customer needs.

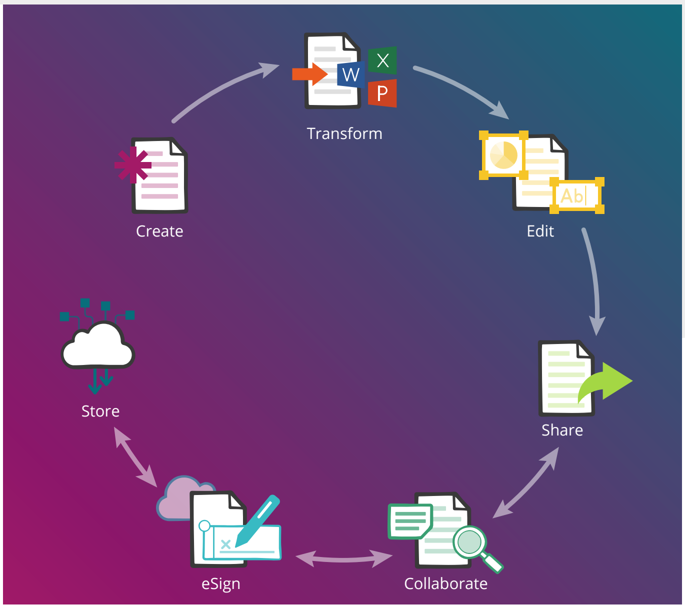
Documents are an integral part of day-to-day operations for all collaborative ecosystems, across businesses of all sizes, industries, and markets. The lifecycle of a document is complicated, especially within distributed workforce, because of the need to collaborate among multiple stakeholders who might have disparate objectives and processes that involve several solution providers and end users.

Providing knowledge workers with a complete suite of PDF productivity and eSignature tools not only enhances employee productivity, accelerates workflow efficiency, and drives digital transformation, but also supports each stage of a healthy document lifecycle. These products digitise the necessary steps that enterprises need to take to ensure that interactions between all distributed parties are as cohesive as possible.

Without Nitro



With Nitro



* Nitro partnered with Qualtrics to conduct a research study of 1,183 full- and part-time knowledge workers. This report dives into the relationship between workplace productivity and the tools that drive it.

JLL®

"We needed to give everyone access to the necessary tools so that they can continue to embrace our digital strategy. Nitro is enabling us to move quickly in this space."

Andrew Clowes
CIO Australia and New Zealand, JLL

Our Power

PDF Productivity + eSigning + Analytics

The Nitro Productivity Suite empowers organisations and knowledge workers through a suite of tools that improve document productivity by making it more efficient to create, convert, share, sign, and collaborate on documents on any device with a web browser, including mobile devices. This serves the many modern organisations that have remote workers who need access to digital document workflows and eSigning in one place. The Nitro Productivity Suite comprises three core products: Nitro Pro, Nitro Cloud, and Nitro Analytics. Business Customers can manage users and licences through the Nitro Admin tool and we also offer on-boarding, adoption, and change management capabilities through our Customer Success offering.

Product Strengths

- **Single solution for both PDF productivity and eSigning:** Combining a PDF productivity tool with electronic signing capability to deliver a single, easy-to-use solution that accelerates digital transformation across organisations.
- **Ease of implementation and fast adoption:** Intuitive user interface coupled with robust Customer Success support to facilitate change management, accelerate user adoption, and fast-track document productivity gains throughout the business.
- **Implementation at scale:** Nitro's solution is highly scalable and can be quickly and easily deployed without the need for complex integrations or significant IT resources. Nitro's largest Enterprise Customers have upwards of 20,000 users[1] and deployments of over 10,000 users[1] have been achieved in less than four weeks.
- **Unlimited eSigning:** A licencing model that enables organisations to more easily deploy electronic signature capabilities by reducing the costs and friction associated with per-signature licencing models.
- **Real-time analytics:** Analytics and reporting that enable organisations to quantify the impact of the solution, highlight opportunities to continuously optimise results, and prove tangible ROI.

1. Nitro's internal information systems.

Key Differentiators

- **Employee productivity gains:** Nitro's features drive improvements in user productivity, as knowledge workers are provided with the tools to easily combine and convert documents, and complete workflows 100% digitally. The typical knowledge worker wastes four hours per week on paper processes that, if avoided, can translate to a 10% increase in employee productivity YOY[2].
- **Advancement and acceleration of paperless initiatives:** Nitro's end-to-end digital workflow solution drives noticeable reductions in user print volumes. By tracking printing statistics and successfully converting to paperless initiatives, research has shown that companies can reduce their printing-related expenditure anywhere from 10% to 30%[3].
- **Compliant, organisation-wide standardisation:** Nitro's organisation-wide standardisation accelerates digital transformation and reduces the risk of non-compliance, security vulnerabilities, and IT management difficulties.
- **Reduction in technology costs:** By consolidating several software applications into one platform, Nitro's single solution for PDF productivity and unlimited eSigning can significantly help to reduce the number of vendors providing these solutions otherwise, eliminating the associated complexities and costs of using multiple technology providers.

2. Nitro internal research, accessed at https://itbrief.com.au/story/aussie-workers-ready-paperless-dx-productivity-gains-study (assumes 48 working weeks per year).
3. Gartner research report, accessed at https://www.gartner.com/en/documents/2537615.

ZEBRA

"We looked very hard at ways we could standardise PDF productivity across our organisation, and Nitro enabled us to equip users who previously would not have had access to these capabilities. When Nitro introduced eSigning in one integrated solution, it allowed us to standardise on Nitro Cloud as well for a single and simple solution."

David Floss
Global Client Support Manager, Zebra Technologies

Our Partnership

Customers + Nitro

Commitment to customer success isn't just a slogan for us, nor is it a task that is siloed off to one department. It is woven into every decision we make, every product we offer, and it is the driving force behind our success for the last 15 years. Our promise to our customers is simple: To help organisations of all sizes eliminate paper, accelerate business processes, and drive digital transformation.

We ended 2019 with nearly 11,000 business customers, including 65% of the Fortune 500 and two of the Fortune 10.

We attribute this success to three key initiatives:

1. Nitro delivers transformative document productivity solutions that accelerate business processes;
2. The Nitro Analytics platform provides actionable insights that enable our customers to further drive their digital transformation initiatives and provide measurable, tangible ROI; and
3. Nitro provides its customers with best-in-class customer support to drive adoption and achieve measurable business outcomes.

CASE STUDY

eSigning + Nitro Analytics

In 2018 one of the largest non-profit healthcare companies in the United States, with over 217,000 employees and 700 offices nation-wide, found that their current PDF alternative was limited and costly. The company participated in the Nitro Pilot program to validate right fit and found that unlimited eSigning and Nitro Analytics made Nitro the clear, preferred choice. Within 60 days the initial rollout was completed, and within six months the company decided to increase the total number of licences by 60%.

"The support provided by Nitro during the testing and evaluation phase created such a positive experience that it gave us the confidence to move forward. We are thrilled to be able to offer the full Nitro Productivity Suite to our employees and provide access to eSigning tools that were too cost-prohibitive in the past."

Director of IT
US Healthcare Company

CASE STUDY

PDF Productivity + Customer Success

In 2019 a Swiss financial services company moved away from their legacy solution after discovering the value of Nitro. Within six months, the company moved 4,000 users over to Nitro, displacing the legacy solution for most of their workforce. Nitro has partnered with this customer on product innovation to ensure that the Nitro Product Roadmap is evolving along with their changing business needs.

"Nitro has really proven themselves to be a true partner who is committed to the successful adoption of Nitro among our varied user groups. Nitro continuously demonstrates genuine concern and interest in helping us achieve our business goals. We have high confidence in Nitro's product and look forward to many more years of collaboration."

Application Manager
Global Wealth Manager Group

Our Purpose

Sustainability + Nitro

Sustainability is no longer a "nice-to-have" peripheral initiative in the corporate world. According to a recent survey by AIIM, 49% of CEO's cite sustainability as a top-three initiative. They consider it a priority for improving corporate reputation, employee morale and efficiency, and for cutting costs.

Most businesses don't keep track of how often their employees print — and the result is more expensive than you would think. On average, a business spends $432 per year per worker on raw material costs for printing alone, and a single piece of paper costs $1.12 to print. Given that the average office worker prints more than 10,000 pages per year, these seemingly small inefficiencies add up to crippling costs. Organisations with 10,000 knowledge workers could save a staggering $4.3 million per year by going paperless. Even reducing printing by 25% would save $1 million each year in material costs alone[1].

Printing Costs

If this is not convincing enough, just look at the amount of waste inherent in paper processes:

- 45% of paper printed in offices is thrown away by the end of the day[1]
- 30% of print jobs are never picked up by the user[1]
- In general, document workflow inefficiencies cost employees 20% of overall productivity[1]

Despite the benefits of going paperless, a shocking 53% of knowledge workers still print documents multiple times per day and 48% manually sign documents[2]. This level of printing is not only unproductive and disruptive to workflows, but it drains budget quickly and is impossible to track. This extent of paper usage makes it more difficult for workers to stay on top of work that matters most — ultimately depreciating workplace productivity. It is up to the Office of the CIO to digitise processes that make or break their businesses and position themselves for digital transformation.

Nitro envisions a world of 100% digital document workflows, the end of paper forms and signatures, delightful product experiences for daily document tasks, better document security, and powerful productivity for all.

1. References included in Nitro's Deciphering Digital Transformation eBook, https://www.gonitro.com/page/digital-transformation-hub
2. Refer 3 ways to improve document productivityhttps://cdn.gonitro.com/documents/whitepapers/gonitro/Nitro-eBook-3-Ways-to-Improve-Document-Productivity.pdf

bakertilly

> "Our Global Office deals with countless documents every day, so being able to provide a PDF productivity solution to every user was a critical requirement for us. Nitro's solution is easy to use, and we're also working to identify more ways to streamline our document workflows. We've already seen a positive impact from implementing Nitro Cloud to facilitate everyday signature requests that can now be completed much faster — and without involving paper."

Adam Grainger
Director of IT and Projects, Baker Tilly

Our People

Team + Culture

At Nitro we know that our success is only as good as the people behind it, so we are hyper-focused on building a culture that not only engages our Nitronauts but encourages them to innovate and grow. You can find our 132 full-time employees all over the globe: head-quartered in San Francisco, there are also offices in Dublin, London, and Melbourne. Together, we push each other as colleagues, inspire each other as individuals, and support each other as friends.

Culture and philosophy

Nitro has always put people at the center of what we do whether it is our customers or our employees. It comes back to one of our core values. Be Good. Simply put, we love people and we love helping them so we foster an environment where people can be themselves and do their best work. We celebrate individuality and diversity, and provide our employees with the opportunities, the resources, and the support that they need to thrive and flourish. We have a "performance-first" mindset to complement our ambitious business goals.

Our philosophy is straightforward, tangible, and proven:
We believe software technology should be intuitively easy to use, help make people better, and accessible to any knowledge worker that wants to be more productive. Our team consists of creatively intelligent and talented people who care about building great products that delight our customers and make them more productive, and we are doing it in a way that is very rewarding and makes us proud to be part of Nitro.

Life at Nitro

Nitro has always put people at the center of what we do whether it is our customers or our employees. It comes back to one of our core values: Be Good. Simply put, we love people and we love helping them so we foster an environment where people can be themselves and do their best work. We have a dedicated committee that meets bi-weekly to discuss upcoming events and initiatives. Building a great place to work goes beyond salary and vacation days so we focus on striking the perfect balance between engagement, cohesion, and productivity.
The combination of health and wellness and professional development helps us to stay fresh:

- **Health and Wellness**: Since we know that wellness does not look the same for any two people, we offer a monthly fitness subsidy that encourages employees to stay active however they like.
- **Professional Development**: One of our guiding principles is "always learning," so throughout the year we offer a range of workshops—from 401(k) education to motivational speaker series—to promote financial and emotional health.

How Nitro Gives Back to Local Communities

The role we play in society at large is important. Nitro's volunteer program, Nitro Gives, captures a few core values and practices that are essential to our culture: environment (going paperless and improving productivity), education (always evolving), and community (be good and helping others). The Nitro Gives program offers:

- **Volunteer time off**: We provide up to five days of paid volunteer time off to ensure that employees have the time they need to do what they are passionate about
- **Donation matching**: Nitro will match 100% of employees' charitable donations—up to $500 donation matching per employee per year, and up to $500,000/year.
- **Charity partnerships**: We frequently partner with local charities and programs, such as mentorship programs for high schoolers, to support and engage with the community.
- **Ambassador program**: A global Nitro Gives committee helps organise, run initiatives, and establish ambassadors for the program so people across all departments are involved and invested in opportunities they are passionate about.

Community Initiatives

- **Techies for Temple Street**: Nitro raised $1,700 and joined members of the Irish tech and business communities for a treasure trail in Dublin. The goal: making an impact on the lives of sick children across Ireland.
- **Rise Against Hunger**: Nitro partnered with Rise Against Hunger in San Francisco to package and ship over 20,000 meals for those less fortunate to 70+ poverty-stricken nations around the world.
- **Australian Red Cross**: Over $12,000 in donations was raised by Nitro and individual employees for the Australian Red Cross due to the wildfires in Australia.

> "Nitro has an incredible 'can do' customer-focused team culture. We work extremely well as a global team with many of the biggest companies in the world, and our ability and agility to respond quickly helps them get the results they need."
>
> **Michael Helder**
> VP Sales APAC

Governance

Nitro is committed to meeting high standards of corporate governance to create long term and sustainable shareholder value. The Board supports the need for strong corporate governance and this is reflected across the culture and business practice of the organisation. Our policies are essential in enabling transparency and accountability across the organisation, and in protecting and enhancing the interests of shareholders and other stakeholders. Nitro's approach to corporate governance and our compliance with the Recommendations of the ASX Corporate Governance Council are described in our Corporate Governance Statement, which is available on our website at https://ir.gonitro.com/investor-centre/?page=corporate-governance.

Shareholders

Board of directors
Chair: Kurt Johnson
Composition: 8 members

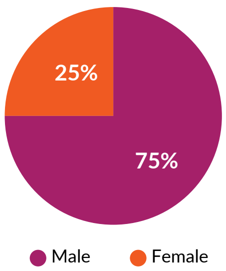
Audit and Risk Management Committee
Chair: Sarah Morgan

Remuneration and Nomination Committee
Chair: Lisa Hennessy

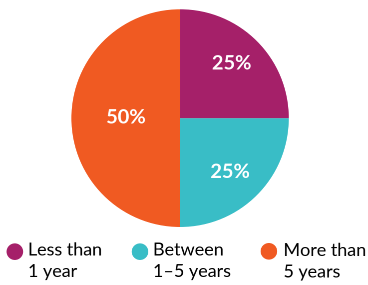
CEO
Responsible for day to day management

Executive team
Report to the CEO and responsible for execution of the strategic objectives

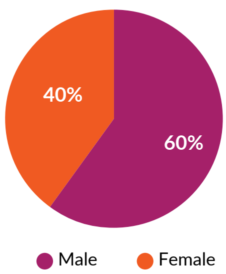
Board composition – Diversity



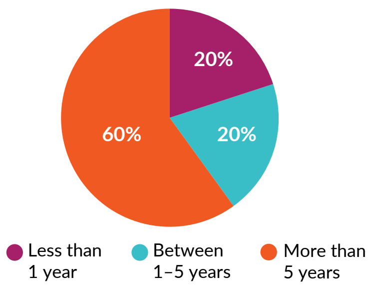
Board composition – Tenure



Executive team – Diversity



Executive team – Tenure



Board of Directors

Kurt Johnson

Independent Chairman and Non-Executive Director

Kurt joined the Board as an independent board member in September 2010 and was appointed Chairman in 2019. Kurt has over 24 years of professional management experience, including public and private company leadership across a range of internet and technology-based companies, and is now an active angel investor. He was previously an investment banker with Olympic Capital Partners, providing M&A and financial advisory services for middle-market companies in the telecommunications, media, and technology industries.

Special responsibilities

- Chair of the Board
- Member of the Audit and Risk Management Committee
- Member of the Remuneration and Nomination Committee

Current ASX listed company directorships

- Nitro Software Limited (since September 2010)

Sam Chandler

Executive Director and Chief Executive Officer

Sam co-founded Nitro in May 2005 and currently serves as the CEO and as a Director. Sam is an experienced entrepreneur, starting his first company at 16 years old while still in high school. Since then, he has started two more companies, sat on the board of the Australian Communities Foundation, and is currently an Investor and Mentor in Startmate, a leading Australian tech accelerator. Sam has over 20 years of global technology leadership experience, including 11 years living and working in Silicon Valley, and was named Ernst & Young's Australian Emerging Entrepreneur of the Year in 2014.

Current ASX listed company directorships

- Nitro Software Limited (since September 2010)

Richard Wenzel

Executive Director and Senior Vice President, Tax and Treasury

Richard co-founded Nitro in 2005 and has been a Director since. He also sits on the boards of Nitro's US and EMEA entities. Richard is a pragmatic entrepreneur who founded his first company (ARTS PDF) in 1998 after a career in investment banking. ARTS PDF was a leading developer of PDF plugins and an instrumental grounding in the path to founding Nitro. Richard has 21 years of experience in document productivity and currently the Senior Vice President of Tax and Treasury and is responsible for key treasury functions and tax compliance. He also serves as the primary internal legal advisor.

Current ASX listed company directorships

- Nitro Software Limited (since September 1999)

Andrew Barlow

Independent Non-Executive Director

Andrew led the Seed investment round in the Company in late 2006 and joined the Nitro Board in January 2007. Andrew is an experienced technology entrepreneur and venture investor, with more than 25 years private company board and operational experience, and 12 years public company board experience. Andrew has a wealth of capital raising, corporate governance, and M&A experience on both the sell-side and buy-side. He is the Founder and Executive Chairman of Adslot Ltd, a leading provider of automated digital media trading platforms listed on the Australian Securities Exchange.

Special responsibilities

- Member of the Audit and Risk Management Committee

Current ASX listed company directorships

- Nitro Software Limited (since January 2007)
- Adslot Limited (since September 2011) Founder and executive Chairman

John Dyson

Non-Executive Director

John joined the Nitro Board in July 2018 representing Starfish Ventures, the manager of Starfish Technology Fund II, LP, a major shareholder in the Company. He has over 24 years of experience working in the venture capital industry, investing in and supporting companies in the technology sector. John co-founded Starfish Ventures in 2001, and prior to that was General Manager (Australia) of JAFCO Asia for six years. Prior to that he had over 9 years of experience in the investment banking and stockbroking industries.

Special responsibilities

- Member of the Remuneration and Nomination Committee

Current ASX listed company directorships

- Nitro Software Limited (since July 2018)
- Audinate Group Limited (since March 2017) Non-executive director

Michael Brown

Non-Executive Director

Michael joined the Board in 2014 on behalf of Battery Ventures after their participation in the Series B fundraising. Since joining Battery Ventures in 1998, Michael has managed multiple investments spanning the enterprise software, financial-services and technology-enabled business-services markets. He currently serves on the boards of AuditBoard, CarNow, Diametric Capital, Istra Research, J. Hilburn, Joor,. Michael was previously involved with Battery's investments in companies like Bluestem Brands (acquired Capmark Financial Group), Bonfire (merged into GTY Technology), ChemConnect (acquired by InterContinental Exchange), and; ExactTarget (acquired by Salesforce.com). He is currently on the board of the US National Venture Capital Association.

Sarah Morgan

Independent Non-Executive Director

Sarah is an experienced public and private company director, particularly in an audit and risk management capacity. Prior to becoming a company director, Sarah spent 15 years as an executive director of independent corporate advisory firm Grant Samuel, specializing in M&A, public, and private capital raisings.

Special responsibilities

- Chair of the Audit and Risk Management Committee
- Member of the Remuneration and Nomination Committee

Current ASX listed company directorships

- Nitro Software Limited (since November 2019)
- Adslot Limited (since January 2015) Non-executive director and Chair of the Audit and Risk Committee
- Whispr Limited (since January 2019) Non-executive director and Chair of the Audit and Risk Committee
- Future Generation Global Company Limited (since June 2015) Non-executive director

Former ASX listed company directorships in the last three years

- Hansen Technologies Limited (since October 2014 to December 2019) Non-executive director and Chair of the Audit and Risk Committee

Lisa Hennessy

Independent Non-Executive Director

Lisa is a highly experienced executive and company director with over 30 years of experience. Lisa currently sits on the board of a number of public and private companies. Prior to this, Lisa spent over a decade in strategy and M&A roles in the US, including Director of Strategy and M&A for Del Monte Foods and Director at GE Capital.

Special responsibilities

- Chair of the Remuneration and Nomination Committee
- Member of the Audit and Risk Management Committee

Current ASX listed company directorships

- Nitro Software Limited (since November 2019)

Former ASX listed company directorships in the last three years

- Murray River Organics Limited (since August 2016 to January 2018) Non-executive director, Chair of the Remuneration and Nomination Committee and Member of the Audit and Risk Management Committee

Senior Executives

Sam Chandler

Executive Director and Chief Executive Officer

Refer to Sam's full bio on page 14.

Richard Wenzel

Executive Director and Senior Vice President, Tax and Treasury

Refer to Richard's full bio on page 14.

Kathy Miller

Chief Financial Officer and Co-Company Secretary

Kathy joined Nitro in January 2019 in the role of Chief Financial Officer. Kathy is responsible for all global financial, legal, IT, compliance, and reporting functions within Nitro. She has over 30 years of leadership experience in finance, accounting and operations, holding several senior roles across public and private companies within the global software and IT space. Examples of these roles include Chief Operating and Chief Financial Officer of nCourt, Chief Financial Officer of eSecuritel Holdings, and Senior Vice President Global Finance and Accounting of Witness Systems.

Gina O'Reilly

Chief Operating Officer

Gina joined Nitro in 2009, initially as a Senior Vice President of Sales & Marketing, and is currently the Company's Chief Operating Officer. Gina has global responsibility for the marketing, business, and people operations functions, including employee experience and talent. She has over 20 years of software industry experience, having previously held the roles of Director of Sales and Marketing at activePDF, as well as International Relations and Marketing Manager at Software Technology Resources.

David O'Donoghue

Vice President, Engineering

David joined Nitro in 2018 in the role of VP of Engineering. David is responsible for overseeing the global engineering team across Dublin and San Francisco, as well as all Nitro products. David has over 30 years of extensive experience developing, coaching, and leading software engineering organisations. He was previously the Head of Engineering at Zalando Ireland, Head of Software Development at Full Tilt Poker, Senior Development Manager at Oracle, and Head of R&D at Performix Technologies.

Operating and Financial Review

for the year ended 31 December 2019

Operating and Financial Review ("OFR")

This OFR is designed to assist shareholders understand the Group's business performance and the factors underlying its results and financial position. It complements the financial disclosures in the Consolidated Financial Statements on page 44 to 75 of the Annual Report. The OFR covers the period from 1 January 2019 to 31 December 2019, including the comparative prior period and the prospectus forecast for the year ended 31 December 2019. To conform to the current period presentation, certain comparative figures have been reclassified where appropriate.

The OFR also includes SaaS metrics that we believe are critical to the understanding of the performance for the financial year and the potential for growth in 2020. These SaaS metrics are non-IFRS measures and the manner in which these are calculated and trends they convey are explained in Appendix 1 to the Annual Report.

Operating and Financial Review

for the year ended 31 December 2019

Operating and financial review

Nitro generates revenue through the sale of software licences, either on a right-to-access (subscription) basis, or on a right-to-use (perpetual) basis, as well as through providing maintenance and support for customers who licence software on a perpetual basis.

SUMMARY OF FINANCIAL RESULTS (STATUTORY) US$ MILLIONS	2019	2018	CHANGE	CHANGE %	2019F[1]
Subscription	**13.2**	6.9	**6.3**	*91%*	13.1
Perpetual, maintenance and support	**22.5**	25.5	**(3.0)**	*-12%*	22.3
Revenue	**35.7**	32.4	**3.3**	*10%*	35.4
Cost of sales	**(3.7)**	(3.8)	**0.1**	*-3%*	(4.0)
Gross profit	**32.0**	28.6	**3.4**	*12%*	31.4
Sales and marketing	**(18.5)**	(15.4)	**(3.1)**	*20%*	(18.4)
Research and development	**(7.0)**	(7.7)	**0.7**	*-9%*	(7.4)
General and administrative	**(10.7)**	(6.5)	**(4.2)**	*65%*	(10.7)
Other income/(loss)	**1.2**	(1.2)	**2.4**	*200%*	(0.2)
EBITDA before share based payments	**(3.0)**	(2.2)	**(0.8)**	*36%*	(5.2)
Share-based payment expense[2]	**(0.8)**	(0.6)	**(0.2)**	*33%*	(0.9)
EBITDA	**(3.8)**	(2.8)	**(1.0)**	*36%*	(6.1)
Finance costs	**(1.8)**	(0.6)	**(1.2)**	*183%*	(1.8)
Depreciation and amortisation expense	**(2.0)**	(2.0)	**(0.0)**	*5%*	(2.0)
(Loss) before income tax	**(7.6)**	(5.4)	**(2.2)**	*42%*	(10.0)
Income tax expense	**(0.4)**	(0.2)	**(0.2)**	*100%*	(0.2)
(Loss) for the year	**(7.9)**	(5.5)	**(2.4)**	*44%*	(10.1)

SaaS METRICS[3]	2019	2018	H1 2019[4]	H1 2018[4]	2017
Gross Margin	**90%**	88%	89%	88%	87%
Net Revenue Retention	**126%**	149%	127%	187%	152%
Annual Recurring Revenue (ARR) US$ million	**16.9**	10.2	12.8	7.0	4.4
New Annual Recurring Revenue (New ARR) US$ million	**6.7**	5.8	2.6	2.6	2.6
Lifetime Value per Customer (LTV) US$'000[5]	**123**	183	153	198	182
Customer Acquisition Costs (CAC) US$'000[5]	**44**	40	42	40	60
LTV/CAC (ratio)[5]	**2.8x**	4.6x	3.6x	4.9x	3.1x

1. Statutory forecast results as per the IPO prospectus.
2. Share-based payment expense is classified to functional areas in the statutory Consolidated Statement of Comprehensive Income. Of the $0.8 million expense in 2019, $0.2 million is classified to sales and marketing expense, and $0.6 million is classified to general and administrative expense. For 2018, $0.6 million was classified to general and administrative expense.
3. Refer to Appendix 1 for detailed explanations of SaaS metrics. Non-IFRS information has not been audited or reviewed in accordance with Australian Auditing Standards.
4. H1 2019 and H1 2018 represent the six months ended 30 June 2019 and six months ended 30 June 2018 respectively.
5. Prior period data has been adjusted to correct an error in previously reported values.

Revenue

Subscription revenue

Subscription revenue was $13.2 million or 37% of total revenue for the year ending 31 December 2019, up 91% over $6.9 million or 21% of total revenue for the same period in 2018. This increase was driven by new customer wins, including large enterprise customers, licence expansions at existing customers, and the continued transition of existing perpetual customers to subscription-based pricing during the year.

The Company measures growth in subscription revenue through new ARR added. New ARR added provides an indication of growth in subscription licence sales during the period through sales to new customers who purchase the Nitro Productivity Suite on a subscription basis, additional incremental licence purchases by existing subscription customers, and the conversion of existing perpetual-based licence customers to the subscription-based licencing model. New ARR added during 2019 increased 16% on a year on year basis to $6.7 million, up from $5.8 million in 2018. Consequently, ending ARR rose 66% during 2019 to $16.9 million from $10.2 million at the end of 2018.

Perpetual, maintenance and support revenue

As the Company continues to migrate existing customers to subscription-based licences, perpetual revenue is forecast to decline as a percentage of total revenue. In 2019, the sale of perpetual licences and accompanying maintenance and support contracts declined 12% to $22.5 million in revenue or 63% of total revenue. In 2018, perpetual, maintenance and support revenue was $25.5 million accounting for 79% of total revenue. The Company expects perpetual, maintenance and support revenue to continue to decline as a percentage of total revenue as we continue to migrate existing perpetual customers to the subscription-based licencing and as we continue to add new enterprise customers who purchase subscription-based licences.

Gross profit and gross profit margin

Gross profit increased by $3.4 million, up 12% during 2019, to $32.0 million as compared to $28.6 million in 2018 and was favourable to the prospectus forecast by $0.6 million. The gross margin was 90% for the year, compared to 88% for 2018 and 89% in the prospectus forecast, largely due to lower cost of sales than planned. Cost of sales decreased as a percentage of revenue compared to 2018 as a result of the greater portion of revenue coming from subscription revenue, which has higher margins than perpetual revenue.

Cost of sales includes the cost of third party technologies that are used to host Nitro's cloud-based products, third party technologies that are embedded in the Company's technology, third party hosting services for the Company's online storefront and salaries, benefits, bonuses and other operating costs associated with the Company's customer support organisation.

Operating expenses

Sales and marketing

Sales and marketing expense of $18.7 million in 2019 was in line with the prospectus forecast. This compares to $15.4 million in 2018, an increase of $3.2 million or 21%. As a percentage of total revenue, sales and marketing expenses were 52% and 48% of total revenue in 2019 and 2018, respectively. The increase in sales and marketing expense was driven by an increase in number of full-time equivalents including quota carrying sales representatives, business development resources, and sales operations and support, offset by attrition in sales, as well as increased marketing program spending focused on channel marketing, digital marketing and SEO/SEM and demand generation activities. Total sales and marketing headcount was 57 at the end of 2019 versus 63 at the end of 2018.

The Company measures the efficiency of sales and marketing by monitoring LTV/CAC ratios. The LTV/CAC ratio was 2.8x for 2019 versus 4.6x for 2018. The decrease in the LTV/CAC ratio was primarily attributable to several $1 million+ contracts being signed in 2018 versus 2019, which skewed the 2018 results, as well as increased marketing program spending.

Operating and Financial Review

for the year ended 31 December 2019

Research and development

In 2019, research and development expense was $7.0 million, $0.4 million lower than the prospectus forecast and a decrease of $0.7 million or 9% from $7.7 million in 2018. As a percentage of total revenue, research and development expenses decreased to 20% of total revenue in 2019 versus 24% in 2018. This decrease was the result of reduced personnel costs as the Company continued to transition its development team from San Francisco to Dublin and timing of hiring in the second half of 2019, partially offset by increase in headcount. Total research and development headcount at the end of 2019 was 42, as compared to 39 in 2018. During the year ended 31 December 2019, all research and development costs were expensed as they did not meet the recognition and measurement criteria under the AASB 138.

General and administrative expenses

In 2019, general and administrative expenses were $11.3 million, an increase of $4.3 million or 61% from $7.0 million in 2018 and in line with the prospectus forecast. As a percentage of total revenue, general and administrative expense increased from 22% of 2018 revenue to 32% of revenue in 2019. The increase in general and administrative expenses during 2019 was due to increased professional services and consulting expenses in relation to the IPO, increased costs related to increased headcount in the accounting and human resources teams, and compliance costs associated with becoming a public Company.

Other items impacting the results

Other income/expense

In 2019, other income was $1.2 million, an increase of $2.4 million or 200% a loss of $1.2 million in 2018. The increase was primarily attributable to an unrealised foreign currency gain in 2019 of $1.2 million versus an unrealised foreign currency loss in 2018 of $0.5 million, a loss on disposal of asset in 2018 aggregating $0.5 million and other expenses aggregating $0.2 million.

Finance costs

In 2019, finance costs were $1.8 million, an increase of $1.2 million or 171% from $0.6 million in 2018. The increase was primarily attributable to the implied interest related to the 20% discount on convertible notes issued during 2019 of $1.3 million. These notes were converted to equity upon completion of the IPO.

Cash flows

Cash and cash equivalents were $47.0 million as at 31 December 2019.

Operating cash flow of $0.4 million in 2019 was slightly higher than the operating cash outflow of $0.3 million in 2018. Gross receipts from customers in 2019 aggregated $40.2 million as compared to $35.8 million in 2018. Investing activities included $0.7 million in acquisition of assets in 2019 relating to IT infrastructure.

Cash flow from financing activities included, $44.8 million primary capital raising before costs, $5.0 million convertible note instrument (issued in 2019) converted to equity on completion of the IPO, $1.8 million from preference shares issued in December 2018 and $4.5 million repayment of borrowings.

Nitro Strategy

The key aspects of Nitro's strategy are as follows:

Winning new Enterprise Customers

Nitro expects to continue to attract enterprise and mid-market customers around the globe for the Nitro Productivity Suite. Our new customer acquisition strategy is supported by field and inside sales, sales development resources, marketing campaigns and brand awareness, channel partners and existing customer referrals.

Expansion within existing customers and expanding revenue contribution from large enterprise customers

Nitro is focused on increasing the value it derives from existing customers in two ways — through an increase in the number of licences, and through increase in the average selling price per licence. Customers typically add more user licences as their employee base grows organically or inorganically, or if a decision is made that Nitro's capabilities are required by an expanded number of knowledge workers or workflows. Nitro expects to increase the average selling price per licence over time by cross-selling and up-selling new products and expanded features.

Product development

Nitro is focused on continuing its geographical and vertical expansion by winning new customers, including from competitors, to drive increased penetration of the Company's global addressable market. Nitro continues to focus on expanding the revenue contribution from enterprise customers to drive greater revenue per customer, increase the profile of Nitro's solutions, and enhance the network benefits of using Nitro's products between organisations.

Nitro believes there are additional growth opportunities both in the core markets of PDF productivity and eSigning, as well as adjacent markets in document productivity and workflow. Nitro is committed to the following short-to medium-term product development ambition:

- Seamless, simple and delightful document productivity from any device;
- Faster document processes with intuitive experiences and no-code automation;
- eSigning workflows optimised for individuals and teams;
- Developing integrations with the most-used business apps;
- A vibrant ecosystem built around enterprise grade document productivity and eSigning services; and
- Rich insights that make productivity visible for individuals and businesses.

Mergers and acquisitions

In addition to organic growth drivers explained above, Nitro may from time to time evaluate opportunities to acquire companies or assets to accelerate product development, time to market for new features and functionalities and/or to add complimentary products to the Nitro Productivity Suite.

Proactive approach to risk management

Nitro's Board and Executive Team deal with a variety of business risks, which are actively assessed and managed as part of the company's risk management framework. Nitro's core risks and the way they are managed are described below. This is not a comprehensive list of the risks involved or the mitigating actions that have been adopted.

Strategic risks

Nitro has a clear strategy to ensure the continued growth of the organisation. The strategic direction, together with its ability to successfully execute on that strategy, is critical to its future success. Nitro devotes a significant amount of time and resources to developing, monitoring and reviewing its strategic direction. This process involves a number of activities, including:

- dedicated strategy days at Board and Executive level;
- regular engagement with external subject matter experts and consultants, including competitive intelligence;
- development of an organisation and reporting structure conducive to the execution of the strategic plans; and
- ongoing monitoring and review of strategy within the organisation.

Nitro is confident that its thorough approach to the development, review and execution of its strategy greatly reduces its risk in this area.

Cybersecurity, data protection and third-party dependence

The use of information technology is critical to Nitro's ability to deliver products and services to customers and the growth of its business. Nitro's products also involve the storage and transmission of its customers' confidential and propriety data, which may include confidential personal or business information, information regarding the employees of Nitro's customers, and other forms of confidential information. By their nature, information technology systems are susceptible to cyber-attacks, with third parties seeking unauthorised access to data, financial theft and to cause disruption to business-as-usual services. Any of these events could cause a material disruption to Nitro's business and operations.

Operating and Financial Review

for the year ended 31 December 2019

Nitro has based its data protection and cyber security protocols on the ISO 27000 suite of standards, the U.S. National Institute of Standards & Technology Special Publication 800-53 and the EU GDPR regulation on data privacy. These standards enable Nitro to maintain its certifications for SOC2 Type 2, HIPAA and Privacy Shield. These are important accreditations that customers expect when dealing with software providers in the industries in which Nitro operates. In certain circumstances, such accreditations are also required to be maintained in order to allow Nitro to tender for, and offer its product offering to, certain clients (e.g. government entities).

Nitro's systems are designed, built and managed to reduce the potential for security or data privacy breaches. Nitro Cloud is dependent on the performance, reliability and availability of its own technology platforms, third party data centres and global communications systems including servers, the internet, hosting services and the cloud environment in which it provides its products.

Nitro uses Tier 1 service providers for the provision of data centres for its key cloud services. These partners host this data in highly secure, fully redundant data centres, and communications infrastructure is similarly secure. Nitro's relationships with these providers are designed to maximise reliability and connectivity, with ongoing systems testing and monitoring.

Talent management

The success of the Company is dependent upon the ongoing retention of key personnel, including the current senior executive, sales and product teams. In addition, Nitro needs to attract and retain highly skilled software development engineers. Competition for such personnel is intense.

Nitro's success depends on its ability to attract and retain talent. Nitro continues to develop leadership, learning, development and engagement initiatives to drive and deliver a results-oriented and high-engagement culture. A best in class approach to remuneration, leave, wellness and healthcare benefits and identifiable value system has ensured, that risks emanating in relation to talent management are mitigated suitably.

Outlook

The COVID-19 pandemic has had a significant impact on the general business environment, equity and currency markets. While the extent of the post balance sheet date impact on the Group's business is not yet known, a prolonged economic recession could have a material negative impact on our customers and prospects which, in turn, may impact the Company's ability to achieve the prospectus forecast. Additionally the Company maintains cash in foreign currencies and is experiencing losses related to adverse movements in currency exchange rates. The Company has, pursuant to its foreign exchange risk management policy detailed in note 14(b)(i) on page 68 of the Annual Report, instituted measures, including foreign currency hedging instruments to mitigate risks arising from the adverse movements in currency exchange rates on some, but not all, foreign denominated cash balances.

Directors' Report

The Directors present their report on the consolidated entity (referred to as "the Group") consisting of Nitro Software Limited and the entities it controlled at the end of, or during, the financial year ended 31 December 2019.

Directors’ Report

Principal activities

The principal activities of the Group during the year were the provision of software and software support services relation to document productivity through the portable document format (‘PDF’).

Corporate information

Nitro Software Limited is a company limited by shares that is incorporated and domiciled in Australia. The company’s registered office is Level 4, 246 Bourke Street, Melbourne, Victoria, Australia and principal place of business is 150 Spear Street, Suite 1500, San Francisco, California, United States of America.

Directors and meetings of directors

The table below sets out the directors of the Group and details the number of board and committee meetings held and attended by those directors, during the financial period ended 31 December 2019. All persons below were directors of the Group during the whole of 2019 and up to the date of this report, unless otherwise stated.

	BOARD MEETINGS	
	NUMBER OF MEETINGS HELD DURING THE TIME THE DIRECTOR HELD OFFICE AND WAS ELIGIBLE TO ATTEND AS A MEMBER	NUMBER OF MEETINGS ATTENDED
Sam Chandler	4	4
Richard Wenzel	4	4
Kurt Johnson	4	4
Andrew Barlow	4	4
John Dyson	4	4
Michael Brown	4	4
Sarah Morgan[1]	1	1
Lisa Hennessy[2]	1	1

1. Appointed as a member of the Board and the Remuneration and Nomination Committee and chair of the Audit and Risk Management Committee on 21 November 2019. Appointed in consulting capacity to the Board from 20 July 2019 until the date of appointment to the Board and respective committees.
2. Appointed as a member of the Board and the Audit and Risk Management Committee and chair of the Remuneration and Nomination Committee on 21 November 2019. Appointed in consulting capacity to the Board from 20 August 2019 until the date of appointment to the Board and respective committees.

The Audit and Risk Management Committee and Remuneration and Nomination Committee of the Board were formed, and the respective charters adopted on 21 November 2019 pursuant to the Company becoming a public company and no meetings were held prior to the year ended 31 December 2019. All duties and responsibilities of these committees prior to their formation were performed by the Board of Directors.

The qualifications, experience and roles and responsibilities of directors, including current and recent ASX listed directorships, are detailed on pages 14 to 16 of the Annual Report.

The remuneration, interests in securities and share options are detailed in the Remuneration report on pages 27 to 42 of the Annual Report.

Company Secretaries

Kathleen Miller (Co-Company Secretary)

Kathy joined Nitro in January 2019 in the role of CFO and was appointed the Co-Company Secretary effective 21 November 2019. Kathy's qualifications, experience and roles and responsibilities of are detailed on page 16 of the Annual Report

Mark Licciardo (Co-Company Secretary)

Mark was appointed the Co-Company Secretary effective 21 November 2019. Mark Licciardo is the founder and Managing Director of Mertons Corporate Services Pty Ltd. As a former company secretary of ASX 50 companies, Transurban Group and Australian Foundation Investment Company Limited, his expertise includes working with boards of directors in the areas of corporate governance, business management, administration, consulting and company secretarial matters. He is also the former Chairman of the Governance Institute of Australia Victoria division, Academy of Design (LCI Melbourne) and Melbourne Fringe Festival and a current non-executive director of a few public (including ASX listed) and private companies. Mr Licciardo holds a Bachelor of Business Degree (Accounting) from Victoria University and a Graduate Diploma in Company Secretarial Practice, is a Fellow of the Australian Institute of Company Directors, the Institute of Chartered Secretaries and Administrators and the Governance Institute of Australia.

Officers

The names and roles of other Officers of the Company during 2019 are shown in 'Key Management Personnel' of the Remuneration Report on page 28 of the Annual Report.

Insurance of Directors and Officers

The Company has agreed to indemnify the current Directors and certain officers of the Company and its controlled entities against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors and officers of the Company and its controlled entities, except where the liability arises out of conduct of acts or lack thereof which constitute an indictable offence or are fraudulent, dishonest or a wilful default of the directors' duties as a director of the Company. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses. Under the terms of the agreement, the Company will meet the full amount of any such liabilities, including legal fees.

Insurance premiums

The Group has paid insurance premiums in respect of Directors' and officers' liability and legal expenses insurance contracts, for current and former Directors and officers, including senior executives of the Company and Directors, senior executives and secretaries of its controlled entities. The insurance premiums relate to legal costs and expenses incurred by the relevant officers in defending proceedings and other liabilities that may arise from their position, with the exception of conduct involving a willful breach of duty or improper use of information or position to gain a personal advantage or to cause detriment to the Company. The terms of the insurance contract require that the amount of the premium paid be kept confidential.

Auditor and non-assurance services

PricewaterhouseCoopers ("PwC") continues in office in accordance with section 327 of the *Corporations Act 2001*. It is the Group's policy to engage PwC on assignments additional to their statutory audit duties where their expertise and experience with the Group are important. These assignments are principally due diligence reporting on acquisitions and tax advice.

Details of the amounts paid or payable for non-assurance services in relation to the IPO by PwC are disclosed in note 16 'Auditor's remuneration' to the Consolidated Financial Statements on page 74 of the Annual Report. The Board of Directors has considered the position and is satisfied that the provision of the non-assurance services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-assurance services by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-assurance services have been reviewed by the Audit and Risk Management Committee and the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 43 of the Annual Report.

Directors' Report

Proceedings on behalf of the Company

No proceedings have been brought or intervened in on behalf of the Company, nor have any applications for leave to do so been made in respect of the Company, under section 237 of the *Corporations Act 2001*.

Environmental regulation

The operations of the Group are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Significant changes to state of affairs of the Company

Effective 11 December 2019, the Company was officially listed on the Australian Securities Exchange. The listing was pursuant to an IPO through which new equity of $44,833K (before transaction costs) was raised.

Other information

The following information, contained in other sections of this Annual Report, also forms part of this Directors' Report:

- Operational and Financial Review on pages 17 to 22 of the Annual Report
- No dividends have been paid, declared or proposed
- Likely developments in the operations of the Group are outlined in the 'Outlook' section of the Operational and Financial Review on page 22 of the Annual Report; and
- Remuneration Report on pages 27 to 42.

Rounding of amounts

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the consolidated financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of directors.

Kurt Johnson
Chair
31 March 2020

Sam Chandler
Executive Director, Founder and CEO
31 March 2020

Remuneration Report (Audited)

Message from the Chair of the Nomination and Remuneration Committee

Dear Shareholder,

On behalf of the Board, I am pleased to present Nitro Software Limited 's Remuneration Report for the financial year to December 31, 2019. Although we only listed in December the report covers the full year.

The intent of structure and content of this, our first Remuneration Report, is to provide transparency and clarity on the journey we have begun. In this context the key themes of this transition cover:

- Our absolute commitment to ensure our remuneration arrangements are fit for purpose, appropriate to the markets in which we compete for talent and aligned with shareholders' expectations.
- Ensure a remuneration structure that delivers challenging stretch financial performance while enabling the executive team to share in the long-term value creation.
- Evolve the remuneration structure, policies and framework to drive us toward the business we want to become.
- How we intend to strike a balance between competitive executive remuneration expectations in our key international markets with the market practices and governance obligations of an ASX-listed company.

For 2019, the Committee and the Board determined and reviewed remuneration arrangements for the Executive Directors and the Executive Team. This included a market review prior to listing to determine if the amount and mix of fixed and variable at-risk remuneration opportunities were appropriate to their position, responsibilities and contribution and competitive in the local market context. As a result of the review the Board determined adjustments were required to remain competitive and increased the variable at-risk opportunity for Executives. Upon release of the full year results a review was conducted to ensure the actual incentive plan outcomes for the year were appropriate to the results delivered.

We will continue to look for opportunities to improve our approach as we grow. Fundamental to this is fostering an ongoing dialogue with our shareholders and we would welcome your comments or feedback on any aspect of this Report.

Lisa Hennessy
Chair, Remuneration and Nomination Committee
Nitro Software Limited

31 March 2020

Remuneration Report

Contents

Introduction

The Directors of Nitro Software Limited (Nitro) present the Remuneration Report (the Report) for the Company and its controlled entities (the Group) for the year ended 31 December 2019. This Report forms part of the Directors' Report and has been prepared in accordance with section 300A of the *Corporations Act 2001*. The content in this report has been audited by PricewaterhouseCoopers, the Company's external auditor.

The Report details the remuneration arrangements for the Group's Key Management Personnel (KMP) identified in the table below:

NAME	TITLE	INDEPENDENT	TERM
Non-Executive Directors			
Kurt Johnson	Chair	Y	Full financial year
Andrew Barlow	Director	Y	Full financial year
John Dyson[1]	Director	N	Full financial year
Michael Brown[1]	Director	N	Full financial year
Sarah Morgan	Director	Y	21 November 2019
Lisa Hennessy	Director	Y	21 November 2019
Executive Directors			
Sam Chandler	Chief Executive Officer (CEO)		Full financial year
Richard Wenzel	Senior Vice President Tax and Treasury		Full financial year
Other Key Executives			
Kathleen Miller	Chief Financial Officer (CFO)		14 January 2019

1. John Dyson and Michael Brown are considered not independent due to their ongoing relationships with major shareholders in the Company, being Starfish Technology Fund II, LP and Battery Investment Partners X, LLC and Battery Ventures X, L.P. respectively.

Key Management Personnel are those persons who directly or indirectly, have authority and responsibility for planning, directing and controlling significant activities of the Company and the Group.

References in the Report to Executives only refer to 'Executive Directors' and 'Other Key Executives' identified above.

Subsequent to balance date the following changes were effective 31 March 2020 – Appointment of Kurt Johnson to Executive Director, resignation of Richard Wenzel from his management role noting he will continue as a Non-Independent Non-Executive Director, and resignation of Kathleen Miller from her position of Chief Financial Officer and Co-Company Secretary.

This Report is presented in the Company's presentational currency of USD. In limited instances where there have been translation of balances into Australian Dollars (AUD), the exchange rate applied is AUD1=USD 0.685.

Overview of Executive Remuneration

Remuneration principles

Executives receive fixed and variable at-risk remuneration consisting of short and long term incentive opportunities.

The Group's remuneration strategy aligns with the Company's values of '*Performance First, No BS and Be Good*' through the 5 key reward principles that provide the foundation for reward design and quantum decision. The following table illustrates the link:

REWARD PRINCIPLE	VALUE	REWARD COMPONENT
Aligned to investor interests	*Performance First* Generate strong alignment between employees and shareholders outcomes, encouraging a focus on long -term decision making .	Variable at-risk remuneration
Pay for performance	Enable meaningful accumulation of Nitro shares that drives an ownership mentality and shareholder alignment.	
Fair and competitive	*No BS*	Fixed remuneration
Attract, motivate and retain	Offer fair and competitive packages in the markets in which the Group competes for talent.	Fixed and variable at-risk remuneration
Transparency	*Be Good* Have the structure and transparency expected of an ASX listed company and meet the expectations of all stakeholders when determining pay.	Total Remuneration

Remuneration structure

Applying the principles above, the Group aims to reward Executives with a level and mix of fixed and variable at-risk remuneration appropriate to their position, responsibilities and performance in a way that supports the 5 pillars of business strategy.

5 PILLARS OF BUSINESS STRATEGY	HOW IS THIS INCORPORATED IN THE STRUCTURE?
1. Expansion of existing customers	Pillars 1-3 are implicit in the Annual Recurring Revenue ("ARR")[1] and Revenue growth metrics measured and assessed as part of variable at-risk remuneration for Executives' through both the STI plan (financial objectives) and 2019 LTI plan (revenue performance hurdle).
2. Winning new enterprise customers	
3. Expanding revenue contribution from larger enterprise customers	
4. Continued investment in product development	Achievement against Pillar 4 is measured and assessed annually in the relevant Executives' STI non-financial objectives.
5. Acquisitions	2020 LTI Plan (revenue and relative Total Shareholder Return ("TSR") performance hurdle)

Executive remuneration was reviewed prior to listing and will be reviewed annually with reference to the reward principles and market movements by the Nomination and Remuneration Committee and Board. A number of changes have been identified which will be incorporated as the Group continues its transition as a public listed company.

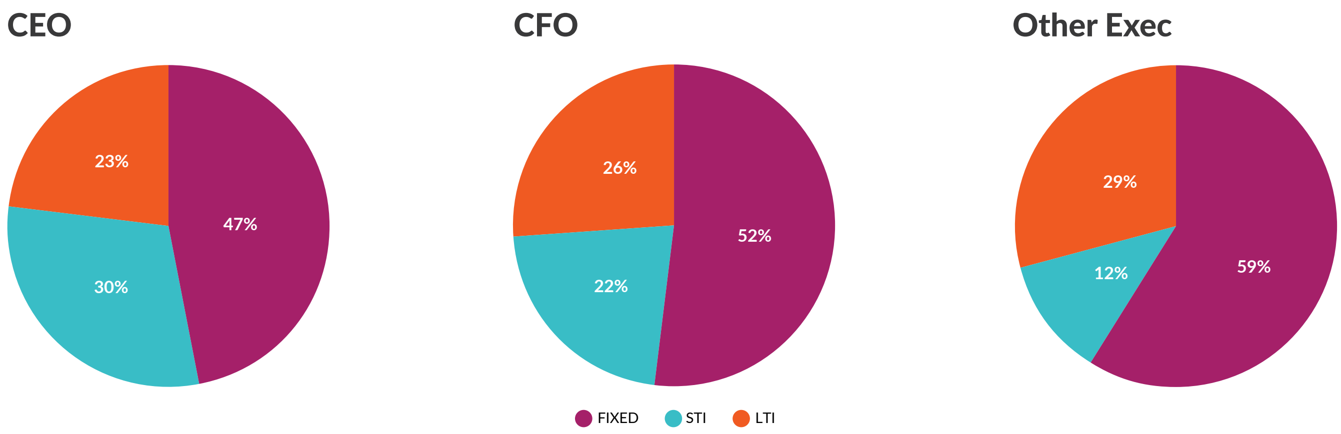
The table on the following page provide a summary of the executive remuneration framework detailing the structure in 2019 and proposed changes for 2020.

1. Refer Appendix 1 for detailed explanations of SaaS metrics. Non-IFRS information has not been audited or reviewed in accordance with Australian Auditing Standards.

Remuneration Report

Key Executive Remuneration mix

The target remuneration mix for Executives in 2019 is shown below with long-term incentives based on the value granted during the year.



Summary of Executive remuneration framework

2019

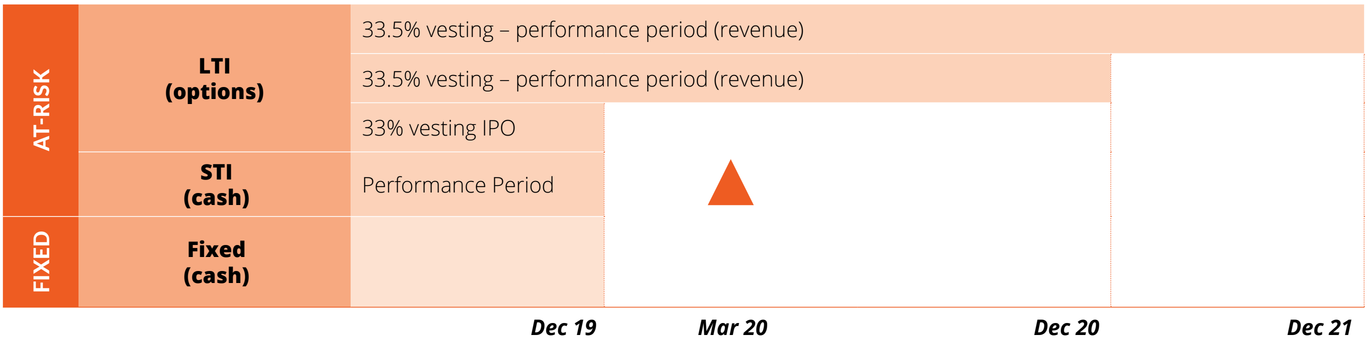
	COMPONENT	PERFORMANCE MEASURE	PERFORMANCE RANGE
FIXED	Fixed	Market review	Actual payments reflect individual's skill, experience & market conditions
VARIABLE AT-RISK	Short term incentive	Performance against Board pre-agreed weighted financial and non-financial KPIs (i.e balanced scorecard) with a financial gateway applied	0 to 112% of target remuneration structure
	Long term incentive	Vesting conditional on IPO and future revenue performance hurdles as outlined in the Prospectus	Grant size determined based on an assessment of pre-existing awards and competitive positioning against market prior to IPO.

2020

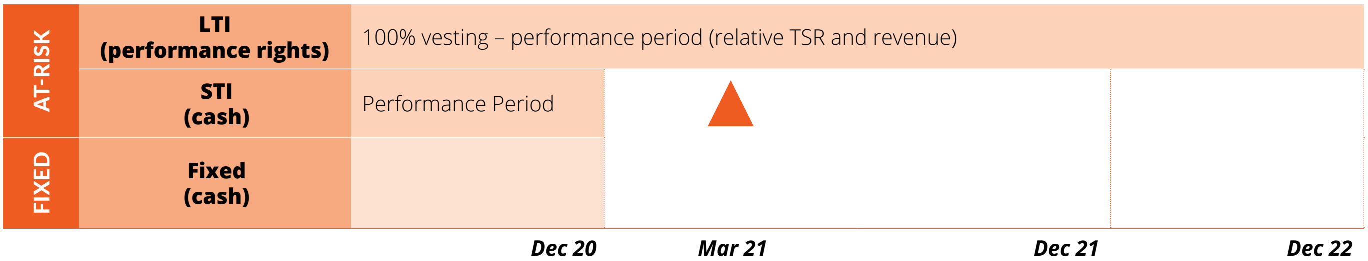
	COMPONENT	PERFORMANCE MEASURE	PERFORMANCE RANGE
FIXED	Fixed	Market review	Actual payments reflect individual skill, experience & market conditions
VARIABLE AT-RISK	Short term incentive	Performance against Board pre-agreed weighted financial and non-financial KPIs (i.e balanced scorecard) with a financial gateway applied	0 to 112% of target remuneration structure
	Long term incentive	Vesting conditional on future performance hurdle (relative TSR and revenue measure)	Grant based on a pre-determined % of fixed remuneration

The chart below demonstrates the evolution of Executive remuneration from 2019 to 2020.

2019



2020



Remuneration element

Fixed remuneration

Fixed Remuneration consists of base salary, statutory superannuation / pension contributions where applicable and other non-monetary benefits and is designed to reward for:

- The scope of the Executive's role; and
- The Executive's skills, experience and qualifications.

Variable at-risk remuneration

Short term incentive (STI) plan

The STI plan ("The Plan") is designed to award participants annually for the achievement of challenging specific financial and non-financial objectives approved by the Board prior to the beginning of the year.

To ensure alignment with shareholders the Board has determined a minimum level of Group financial performance (Financial Gateway) that needs to be achieved prior to participants being eligible to receive an award under the plan.

The number of employees that participate in The Plan are 71 and include the Executives.

Remuneration Report

Key features of The Plan

How is it paid?	Cash
How much can Executives earn?	Executives have a target opportunity that varies by role and has been set with reference to comparable roles in similar companies. The maximum STI opportunity an Executive can earn is 112% of the target.
How is it funded?	The pool funding is determined by the Board through an assessment of Group Performance (Financial Gateway). For 2019 the achievement of the Financial Gateway resulted in 100% target funding of the pool.
What is the Financial Gateway?	The Board has determined a minimum level of financial performance to be achieved by the Group prior to Executives being eligible to receive an award through the establishment of an EBITDA gateway hurdle. For 2019 the requirement was 100% of EBITDA loss as per the Prospectus forecast of $6.1 million.
How is performance measured?	
Balanced Scorecard	A participant's award is determined based on their achievement of financial and non-financial objectives. A summary of the measures and weightings are set out below:

	WEIGHTING	MEASURES (KEY PERFORMANCE INDICATORS)
Financial	Between 80-100%	Revenue[1] (up to 70%)
		EBITDA (up to 30%)
Non-financial measures	Up to 20%	Management by Objectives role specific

1. Revenue represents the total of subscription, perpetual licence and support revenue.

Within the Financial measures the achievement against:

- Revenue target assessed on sliding scale with the ability for a participant to earn a score resulting in 120% of the target in recognition of outperformance

ACHIEVEMENT	SCORE
90%	80%
90 – 100%	Straight line 80% – 100%
100 – 110%	Straight line basis 100 – 120%

- EBITDA assessed on a pass/fail basis.

Malus and Clawback	Malus and claw back applies to any awards made under this plan as outlined on page 35 of the remuneration report.
When is it paid?	Paid to Executives by 15 March of the financial year immediately following the performance period, following the sign-off of statutory accounts or the announcement of the Group's full year financial results. This was paid on 28 February 2020.
What happens if an Executive leaves?	If an executive resigns or is terminated for cause prior to the end of financial year, no STI is awarded for that year. If an executive ceases employment during the performance period by reason of redundancy, ill health, death or other circumstances as approved by the Board, the executive will be entitled to a pro-rata cash payment based on assessment of performance up to the date of ceasing employment for that year.

What changes are planned for 2020?

The Board has reviewed the operation of plan and made the following changes for 2020.

<table>
<tr><td>Financial Gateway and Pool Funding</td><td colspan="3">The minimum level of Group financial performance required for participants to be eligible to receive an award under the plan is 90% achievement of Board approved EBITDA (gateway).
Upon achievement of the EBITDA gateway, the pool size will be determined by the Board through the assessment of Group Performance as follows:
1. Financial Performance against EBITDA gateway, setting ranges:
• Between 90-99% of EBITDA — 70–99% of the target pool vests;
• At 100% of EBITDA — 100% of target pool vests; and
• Above 100% of EBITDA up to 112% of target pool vests; and
2. Other financial and non-financial performance measures.
Where the Board has discretion to determine pool funding within a range it will consider other financial and non-financial measures for the performance period with the intention to reward executives for significant performance against strategic priorities.</td></tr>
<tr><td rowspan="6">Balanced Scorecard</td><td colspan="3">Financial Objectives will be limited to 80% of Balanced Scorecard in addition to ARR being added to Revenue as a financial measure.</td></tr>
<tr><td></td><td>WEIGHTING</td><td>MEASURES (KEY PERFORMANCE INDICATORS)</td></tr>
<tr><td>Financial</td><td>Up to 80%</td><td>Revenue (up to 40%)</td></tr>
<tr><td></td><td></td><td>ARR (up to 40%)</td></tr>
<tr><td></td><td></td><td>EBITDA (up to 20%)</td></tr>
<tr><td>Non-financial measures</td><td>Up to 20%</td><td>Management by Objectives role specific</td></tr>
</table>

One-time IPO cash award

In recognition of the additional effort a one-time IPO cash award approved by the Board was offered to Executives contingent on an ASX listing event as detailed in the Prospectus. In December 2019, the Board assessed this as being met and the awards were paid to two Executives

Long term incentive (LTI) plan

Since the Company was established, LTI plans have been designed to award participants with the opportunity to:

- Allow a meaningful accumulation of shares over time to inspire an ownership mentality; and
- Generate a strong alignment with shareholder outcomes by encouraging a focus on long-term decision making.

The type and nature of these awards has evolved with the growth and maturity of the Company as well as changes in ownership. As a result, three LTI plans are referred to within this Report:

1. Historical LTI plan (outstanding awards granted prior to April 2019);
2. 2019 LTI plan (awards granted in November 2019 to coincide with the IPO); and
3. 2020 LTI plan (reflecting proposed changes to awards to be granted post the IPO).

Remuneration Report

Historical LTI Plan

Prior to IPO the Company granted options and share awards to attract and retain key individuals with terms that were prevalent with market practice for a private technology company based in the United States.

The Company ceased granting new awards under this plan in March 2019. Options and shares previously granted continue to be governed by the terms that were amended at the time of the IPO to comply with the ASX Listing Rules.

The following table summarises total outstanding awards held by Executives at 31 December 2019 including those still subject to vesting criteria and vested but not yet exercised.

Executives	Sam Chandler (CEO)		Kathleen Miller (CFO)
Grant date	25 Nov 11	28 Feb 16	25 Mar 19
Number of options granted	3,159,900	1,586,421	2,064,582
Options vested as at 31 December 2019	3,159,900	1,308,798	1,032,291
Unvested options	0	277,623	1,032,291
Exercise price Currency	AUD	USD	USD
Exercise price	0.2048	0.3089	0.3856
Performance hurdle	NA	NA	NA
Vesting period	NA	60 months	48 months
Vesting conditions	NA	Options vest on a straight line basis over the vesting period subject to accelerated vesting conditions. Under plan rules accelerated vesting may occur on change of control, subject to Board Discretion being exercised. .	25% of Options vest 12 months following grant date after which the remaining vest on a straight line basis over 36 months. Under plan rules accelerated vesting may occur on change of control, subject to Board Discretion being exercised. Under plan rules the Board exercised its discretion to accelerate vesting at the listing.
Cessation of employment	The terms of the award stipulate that all unvested options will vest immediately if the executive leaves for good reason within 12 months of board approved change-of-control or employment is terminated other than for Cause		

2019 LTI Plan

Under the 2019 LTI plan a grant of share options with three tranches were made to Executives at the time of the IPO to align remuneration with shareholder outcomes over the longer term.

How is it paid?	Executives are eligible to receive share options (being an option to acquire an ordinary share in the upon payment of a pre-determined exercise price). Consistent with market practice in the United States, the Board may permit exercise of options by way of a Cashless Exercise. Under this arrangement the Company will only issue or transfer such number of shares that have a value equal to the total market value of shares that would have been issued or transferred if the options had been exercised other than by way of Cashless Exercise, less the total amount of the exercise price that would otherwise have been payable on exercise. Share options will expire 10 years from the grant date, unless determined otherwise earlier by the Board.
How much can Executives earn?	The grant size was determined based on an assessment of pre-existing awards and competitive positioning against market prior to IPO.
When is performance measured?	The grant has been issued in three tranches with performance period commencing 1 January 2019 for tranches 2 and 3 as follows:

TRANCHE	WEIGHTING	PERFORMANCE PERIOD
1	33%	Immediately vested and exercisable upon completion of IPO
2	33.5%	24 months ending 31 December 2020
3	33.5%	36 months ending 31 December 2021

How is performance measured?	see nested tables below

TRANCHE	WEIGHTING	PERFORMANCE PERIOD
1	33%	Event based: IPO completion 100% vest and exercisable.
2	33.5%	Gateway 2019 Revenue outlined in the Prospectus with Vesting Outcomes subject to 2020 Revenue as outlined below.
3	33.5%	Performance against Board approved target 2021 Revenue will be assessed subject to Vesting Outcomes as outlined below.

Revenue performance against targets for tranches 2 and 3 will be assessed as follows:

TARGET REVENUE	VESTING OUTCOME
Below 100%	0%
Up to and including 100% percentile	50%
Greater than 100% but less than 120%	Pro rata straight line basis 50 – 100%
Equal to or greater than the 120% percentile	100%

Tranches will not be subject to retesting.

Clawback and Malus	Awards are subject to Clawback and Malus as detailed in the plan rules (clauses 20 and 21) lodged with the ASX.
What happens if an Executive leaves?	If a participant ceases employment in a 'bad leaver' or 'good leaver' circumstance, the treatment of the unvested options will be in line with the plan rules in relation to the same. Notwithstanding the above, the Board may also, subject to any requirement for shareholder approval, determine to treat awards in a different manner to that set out above.
What happens if there is a change of control?	The Board may in its sole and absolute discretion, and subject to the Listing Rules determine the treatment on unvested instruments.
Are Executives eligible for dividends?	Under this offer, executives are not entitled to any dividends on shares.

What changes are planned for 2020?

The Board has reviewed the LTI plan post IPO and proposes a number of changes to the terms and vesting conditions of future LTI awards to be consistent with market expectations for an ASX listed company.

Future awards will be made annually rather than periodically, subject to a three year performance period and revised performance conditions. For 2020 awards, the hurdles will include a relative Total Shareholder Return (TSR) hurdle (market based metric) and Revenue hurdle and issued in performance rights. Future awards may be subject to different hurdles as the business matures.

The Board views the proposed changes as key in driving vesting performance outcome for executives that align with the creation of sustainable growth and shareholder wealth in the longer term.

The 2020 AGM notice will contain a resolution for approval of the 2020 CEO and Executive Director LTI awards. The details of the award and specific performance criteria will be detailed in that resolution and will reflect the terms of 2020 awards to be granted to other KMP who are not directors.

Performance Pay Outcomes

(Linking Group Performance to Performance Pay for 2019)

The Group achieved a strong set of financial results in 2019 with the following highlights:

- Growth of Revenue of 10% to $35.7 million, ahead of prospectus;
- ARR of $16.9 million, up 66% exceeding prospectus;
- An increase in subscription revenue to 91% to $13.2 million;
- EBITDA loss of $3.8 million, $2.3 million better than forecast; and
- successfully listing on the ASX in December.

Remuneration Report

The 2019 STI scorecard outcomes for Executives reflect this and are detailed in the table below.

			Actual Outcome			Maximum	
EXECUTIVE	SCORECARD OUTCOME	TARGET OPPORTUNITY (% OF FIXED)	% OF FIXED	ADJUSTED %[1]	$	OPPORTUNITY (% OF FIXED)	ACUTAL EARNED AS A MAXIMUM OPPORTUNITY $
Sam Chandler	92%	63%	58%	58%	184,586	70%	82%
Kathleen Miller[1]	89%	43%	38%	60%	208,575	69%	86%
Richard Wenzel[1]	87%	21%	18%	20%	48,275	25%	79%

1. For Executives eligible to receive the one-time IPO cash award (Kathleen Miller and Richard Wenzel) the value is included in the calculation of 'Adjusted %' and 'Maximum'.

As required, information about the Groups' earning and movements in shareholder wealth in US dollars for the past five years up to and including the current financial year as required are set out in the table below.

	2019	2018	2017*	2016*	2015*
Revenue ($m)	35.67	32.41	26.74	28.39	28.88
NPAT ($m)	(7.93)	(5.52)	(13.50)	(17.45)	(10.77)
Share price at year end ($)	1.63	N/A	N/A	N/A	N/A
Basic EPS	(0.11)	(0.08)	N/A	N/A	N/A
Dividends	—	—	—	—	—

* Does not include the impact of AASB 15 Revenue from contracts with customers and AASB 16 Leases

During 2019 the Group:

- continued the process of transitioning to subscription-based licencing (37% of revenue) delivering top quartile SaaS results including compound growth rate in ARR of 111% over the last 3 years;
- spent $7 million in the development and innovation of its products to enhance user experience and deliver further value for its customers.

The Board does not intend to declare a dividend in the near future as outlined in the Prospectus and will continue to use funds raised for future activities and growth.

Actual Pay

Realised Remuneration

The actual remuneration earned by Executives in 2019 is set out below. This information is considered to be relevant as it provides shareholders with a view of remuneration actually paid to Executives for performance in 2019 and the value of LTI that vested during the period. This differs from the remuneration details prepared in accordance with statutory obligation and accounting standards as per the table directly following, that include the value of options that have been awarded but which may or may not vest.

EXECUTIVE		FIXED	STI	LTI VESTED	TOTAL
	Note	1	2	3	=1+2+3
Sam Chandler		329,676	184,939	355,809	870,425
Kathleen Miller		357,529	75,000	813,652	1,246,180
Richard Wenzel		261,694	51,235	—	312,929

1. Includes Salary and Fees, superannuation, other monetary and non -monetary benefits.
2. STI amounts paid during 2019. For Kathleen Miller and Richard Wenzel this includes the payment of the one-time IPO bonus of $75,000 and $5,000 respectively. The remaining amounts relate to 2018 STI awards paid in 20192019.
3. Calculated as the intrinsic value of LTI that vested during the year. Intrinsic value is calculated as the difference between the IPO price and exercise price of the options.

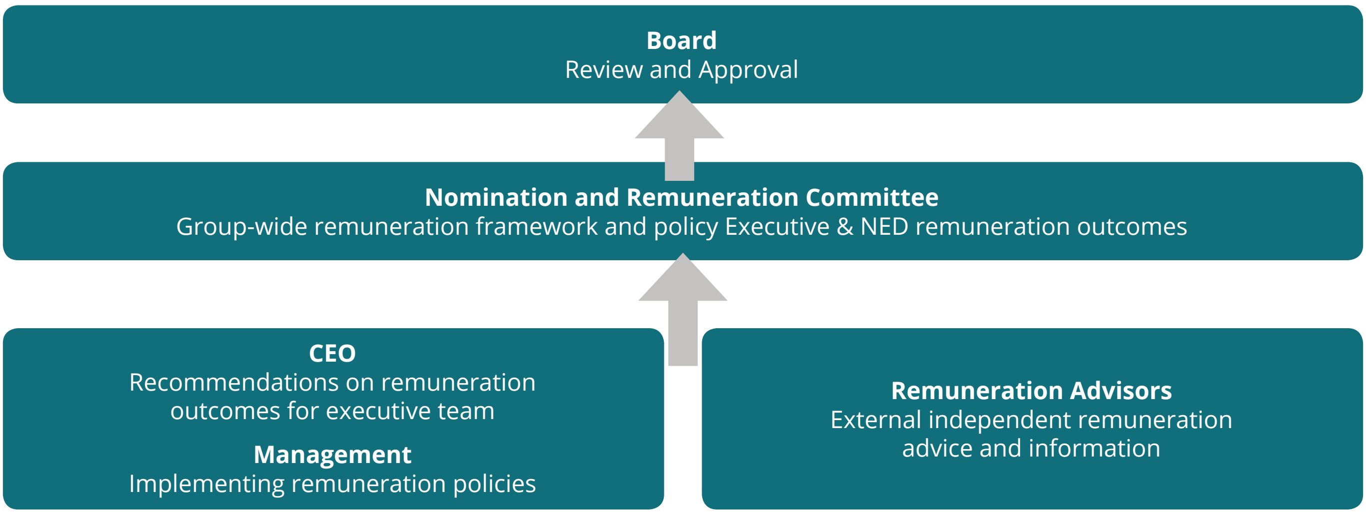
Executive remuneration statutory accounting method

The amounts shown in this table are prepared in accordance with AASB 124 Related party disclosures and do not represent actual cash payment received by Executives for the year ended 31 December 2019. Amounts shown under Long term benefits reflect the accounting expense recorded during the year with respect to prior year awards that have or are yet to vest. For performance payment and awards made with respect to 2019 refer to the Performance Pay Outcomes section of the Report.

		Short Term					Long Term					
	YEAR	**SALARY AND FEES**	**STI CASH BONUS**	**OTHER MONETARY BENEFITS**	**NON MONETARY BENEFITS**	**TOTAL**	**ANNUAL LEAVE**	**OPTIONS AND RIGHTS (TIME BASED VESTING)**	**OPTIONS AND RIGHTS (PER-FORMANCE BASED)**	**TOTAL SHARE BASED PAYMENTS**	**TOTAL**	**% PERFOR-MANCE RELATED**
Sam Chandler	**2019**	**300,000**	**184,586**	**18,000**	**11,676**	**514,262**	**35,383**	***36,641***	***222,473***	**259,115**	**808,760**	**50%**
	2018	300,000	184,939	—	9,923	**494,862**	35,383	*55,949*	—	55,949	**586,193**	32%
Kathleen Miller	**2019**	**329,808**	**208,575**	—	**27,721**	**566,104**	**4,276**	***285,624***	***74,162***	**359,786**	**930,165**	**30%**
	2018	—	—	—	—	—	—	—	—	—	—	0%
Richard Wenzel	**2019**	**225,000**	**48,275**	**18,000**	**18,694**	**309,969**	**25,962**	—	***37,081***	**37,081**	**373,012**	**23%**
	2018	250,962	46,235	—	18,697	**315,894**	25,962	—	—	—	**341,855**	14%
Total Executive	**2019**	**854,808**	**441,436**	**36,000**	**58,092**	**1,390,336**	**65,620**	***322,265***	***333,716***	**655,981**	**2,111,937**	
	2018	550,962	231,174	—	28,620	**810,756**	61,344	*55,949*	—	55,949	**928,048**	

Governance

The following diagram below represents the Group's remuneration decision making framework:



The composition of the Remuneration and Nomination Committee is set out on pages 14 and 15 of this annual report. Further information on the Committee's role, responsibilities and membership can be viewed at *https://ir.gonitro.com/investor-centre/?page=corporate-governance*.

The Nomination and Remuneration Committee operates independently from management, and may at its discretion appoint external advisors or instruct management to compile information for as an input to decision making only.

During the year the Committee appointed Aon Australia (Hewitt Pty Ltd) to provide remuneration advisory services. Such services were provided to the Committee free from any undue influence by management.

ADVISOR	DESCRIPTION OF SERVICES	FEE
Aon Australia (Hewitt Pty Ltd)	Remuneration Advisory	$20,550
Aon Australia (Hewitt Pty Ltd)	Benchmarking Data	$41,100

Remuneration Report

In additional to the characteristics already outlined, remuneration is also subject to the following:

- Board discretion to reduce, cancel or clawback any unvested STI or LTI In the event of serious misconduct or a material misstatement in the Group's financial statements; and
- a securities trading policy that applies to all NEDs, Executives and any other persons designated by the Board from time to time. This is set out on the Company website at https://ir.gonitro.com/investor-centre/?page=corporate-governance.

Service Agreements

The Executives are based in San Francisco, California, USA and their employment arrangements have open-ended employment contracts and not bounded by specified time frames:

- Employment may be terminated by either the Company or the executive upon providing:
  - 6 months' written notice in relation to the CEO and CFO; and
  - 3 months' written notice in relation to the other Executive; and
- The Company may elect to pay the executive in lieu of all or part of such notice period with any such payment to be based on the executive's FAR over the relevant period. The Executive may also be required to serve out the whole or part of the notice period on an active or passive basis at the Board's discretion;
- Any payments made to the Executive upon termination of employment will be limited to the maximum amount permitted by the Corporations Act;
- The Executive's employment may be terminated by the Company without notice in certain circumstances such as un-remediated material breach of their contract, serious misconduct (including dishonesty, fraud or willful breach of duty), bankruptcy, failure to comply with a reasonable direction from the Board, and if a personal profit is made at the expense of the Company to which they are not entitled;
- There is no non-solicitation or non-compete obligations under the CEO, CFO and VP Tax and Treasury's agreements, as such obligations are not enforceable under Californian law;
- The Executives are entitled to participate in the LTIP and Historical LTIP's of the Company at the discretion of the Board. The impact of this on the future compensation is as follows:
  - An amount, if any, with respect to the annual incentive award opportunity for the fiscal year in which termination of employment occurs, as determined under the terms and conditions of annual incentive program(s) then in-effect; and
  - All outstanding equity awards will be subject to the terms and conditions of the applicable equity incentive plan and any corresponding award agreement.

Non-Executive Remuneration

Nitro's Non-Executive Director (NED) fee arrangements are structured and set by reference to the following key considerations:

- to attract and appropriately compensate suitably qualified directors, with experience and expertise appropriate to an international technology Company;
- to reflect the time commitment expected in fulfilling their Board responsibilities and their contribution to Committees; and
- to acknowledge Australian market practice and governance expectations for comparable ASX listed companies.

The Nomination and Remuneration Committee will periodically review whether fees are appropriate having regard to information provided by independent remuneration consultants.

NEDs receive fees and are not entitled to participate in any performance-based awards. NED fees consistent of base and committee fees with the payment of committee fees recognising the additional time commitment required by NEDs.

NEDs are engaged under a letter of appointment and are subject to ordinary election and rotation requirements as stipulated in the ASX Listing Rules and Nitro's constitution. NEDs are not entitled to any compensation on cessation of appointment. NEDs are paid fees in the local currency of the Country which they reside as indicated in their letter of appointment.

NEDs, where required and in accordance with the relevant legislation are paid superannuation and pension related contributions of the country which they reside. The Group pays superannuation to Australian-based NEDs in accordance with Australian superannuation guarantee legislation. NEDs do not receive a cash equivalent amount in lieu of superannuation.

NEDs are entitled to be reimbursed for all travel and related expenses reasonably incurred in performing their duties.

Additional remuneration may be paid if a non-executive directors are called upon to carry out duties or services that the Board considers to be in additional to the ordinary duties of the office. These special duties may include serving on ad hoc projects or transaction-focused committees.

During the year ended 31 December 2019, the Directors' fees were paid based on fees that were set prior to the Company's listing on the ASX. The table below details the fees payable to the non-executive directors with effect from 1 July 2019 excluding superannuation and pension related contribution:

BASE FEES	
Non-executive Chairman	126,000
United States Non-executive Directors	57,600
Australian Non-executive Directors	A$80,000

COMMITTEE FEES	COMMITTEE CHAIR	COMMITTEE MEMBER
Audit & Risk	A$15,000	A$5,000
Remuneration & Nomination	A$15,000	A$5,000

All paid committee chairs and members are currently based in Australia.

The actual total remuneration paid to the Nitro NEDs during FY'19 is reported in the statutory remuneration table disclosed below.

		SHORT TERM BENEFITS SALARY AND FEES	POST EMPLOYMENT SUPERANNUATION	TOTAL
Kurt Johnson (Chairman)	**2019**	**89,958**	**—**	**89,958**
	2018	24,000	—	24,000
Andrew Barlow	**2019**	**54,703**	**2,693**	**57,396**
	2018	24,000	—	24,000
John Dyson[1]	**2019**	**3,455**	**—**	**3,455**
	2018	—	—	—
Michael Brown[1]	**2019**	**3,252**	**—**	**3,252**
	2018	—	—	—
Sarah Morgan[2]	**2019**	**33,602**	**748**	**34,350**
	2018	—	—	—
Lisa Hennessy[2]	**2019**	**27,170**	**748**	**27,918**
	2018	—	—	—
Total	**2019**	212,140	4,189	216,329
	2018	48,000	—	48,000

1. John Dyson and Michael Brown are considered not independent due to their ongoing relationships with major shareholders in the company, being Starfish Technology Fund II, LP and Battery Investment Partners X, LLC and Battery Ventures X, L.P. respectively, fees payable for services are paid to the underlying shareholder they are associated with and only commenced at ASX listing.
2. For Sarah Morgan and Lisa Hennessy the 2019 value disclosed included payments of $25,727 and $19,296 respectively in recognition of services rendered prior to their appointments to the Board effective 21 November 2019.

Maximum aggregate Fee Pool

The current maximum aggregate fee pool is US$1,000,000. Denominating the fees and the fee pool in US$ reflects the fact that business operations are run from outside Australia. Shareholder approval will be sought if the aggregate amount needs to be increased with the Board confirming it will not seek an increase at the 2020 Annual General Meeting.

Remuneration Report

Additional Statutory Disclosures

During the year ended 31 December 2019 and as at that date, an amount aggregating US$119,520 (31 December 2018: US$nil) was receivable from Kathleen Miller in relation to exercise of share options vested and exercised. These options were exercised on 11 December 2019 prior to IPO. The amount outstanding as at 31 December 2019 was repaid on 9 January 2020.

During the year ended 31 December 2019, loans provided to Sam Chandler and Richard Wenzel in order to exercise share options under the Historical LTIP outstanding as at 31 December 2018 aggregating US$9,902 and US$5,128 respectively were repaid in September 2019. Theses loans were interest bearing and linked to the Division 7A – benchmark interest rate provided by the Australia Taxation Office.

The following tables summarises the equity shares and options as at the date of the Report.

KMP Equity holdings

Reconciliation of ordinary share movement during the year

Number of ordinary shares

	1 JAN 19	PURCHASED	ACQUIRED THROUGH EXERCISE OF OPTIONS	SOLD	31 DEC 19
Non-Executive Directors					
Kurt Johnson	**—**	—	**—**	—	**—**
Andrew Barlow	**4,928,130**	—	**740,520**	(1,106,122)	**4,562,528**
John Dyson[1]	**32,221,154**	—	**—**	(6,004,910)	**26,216,244**
Michael Brown[2]	**27,440,649**	—	**—**	(2,568,134)	**24,872,515**
Sarah Morgan	**—**	37,275	**—**	—	**37,275**
Lisa Hennessy	**—**	37,248	**—**	—	**37,248**
Executives					
Sam Chandler	**9,191,880**	—	**—**	—	**9,191,880**
Kathleen Miller	**—**	—	**309,996**	(309,996)	**—**
Richard Wenzel	**11,872,440**	—	**—**	(2,222,252)	**9,650,188**
Total equity shares held	**85,654,253**	74,523	1,050,516	(12,211,414)	74,567,878

1. Includes shares held by Starfish Technology Fund II, LP who hold 26,076,463 shares subject to voluntary escrow restrictions until the release of the Company's financial results for 2020.
2. Includes shares held by Battery investment Partners X, LLC and Battery Ventures X, L.P. who hold 248,721 and 24,623,794 shares respectively subject to voluntary escrow restrictions until the release of the Company's financial results for 2020.

							Movement					At year end	
KMP	PLAN	YEAR	GRANT DATE	FAIR VALUE AT GRANT	EXERCISE PRICE	EXPIRY DATE	1 JAN 19	GRANTED (AWARDS)	EXERCISED	OTHER CHANGES	31 DEC 19	VESTED	EXERCIS-ABLE
Non-Executive Directors													
Kurt Johnson	Historical LTI	2011	02 Dec 11	AUD 0.17	AUD 0.20	25 Nov 21	**740,520**	—	—	—	**740,520**	**740,520**	**740,520**
Andrew Barlow	Historical LTIP	2011	02 Dec 11	AUD 0.17	AUD 0.20	25 Nov 21	**740,520**	—	(740,520)	—	—	—	—
Executives													
Sam Chandler	Historical LTI	2011	25 Nov 11	AUD 0.17	AUD 0.20	25 Nov 21	3,159,900	—	—	—	3,159,900	3,159,900	3,159,900
	Historical LTI[1]	2011	25 Nov 11	AUD 0.17	AUD 0.20	25 Nov 21	1,728,000	—	—	—	1,728,000	1,728,000	1,728,000
	Historical LTI[1]	2014	12 May 14	AUD 0.24	AUD 0.41	04 May 24	863,190	—	—	—	863,190	863,190	863,190
	Historical LTI	2016	28 Feb 16	USD 0.20	USD 0.31	28 Nov 25	1,586,421	—	—	—	1,586,421	1,308,798	1,308,798
	2019 LTI	2019	13 Nov 19	AUD 0.69	AUD 1.72	11 Dec 29	—	968,814	—	—	968,814	319,716	319,716
	2019 LTI[1]	2019	13 Nov 19	AUD 0.69	AUD 1.72	11 Dec 29	—	161,469	—	—	161,469	53,289	53,289
Subtotal							**7,337,511**	**1,130,283**	**—**	**—**	**8,467,794**	**7,432,893**	**7,432,893**
Richard Wenzel	2019 LTI	2019	13 Nov 19	AUD 0.69	AUD 1.72	11 Dec 29	**—**	**161,469**	**—**	**—**	**161,469**	**53,289**	**53,289**
Kathleen Miller	Historical LTI	2019	25 Mar 19	USD 0.21	USD 0.39	24 Mar 29	—	2,064,582	(309,996)	—	1,754,586	722,295	722,295
	2019 LTI	2019	13 Nov 19	AUD 0.69	AUD 1.72	11 Dec 29	—	322,938	—	—	322,938	106,578	106,578
Subtotal							**—**	**2,387,520**	**(309,996)**	**—**	**2,077,524**	**828,873**	**828,873**
Total							**8,818,551**	**3,679,272**	**(1,050,516)**	**—**	**11,447,307**	**9,055,575**	**9,055,575**

The information in relation to the stock option plans above have been adjusted for the impact of 9:1 stock split on 18 November 2019.

1. The beneficial interest in the options is held by a relative of the KMP.

Remuneration Report

Shares issued on exercise of options[1]

NAME OF EXECUTIVE	NUMBER EXERCISED	YEAR	VALUE AT GRANT DATE	VALUE OF AT DATE OF EXERCISE
Kathleen Miller	309,996	2019	65,099	244,339
Andrew Barlow	740,520	2011	86,234	771,029

1. These shares issued upon exercise of options were sold at the IPO.

Executive option holdings – future vesting profile

EXECUTIVE	PLAN	YEAR	GRANT AMOUNT	% VESTING PREVIOUS PERIODS	% VESTING 2019	% INCENTIVE AT RISK	VESTING % 2020	VESTING % 2021	VESTING % 2022
Sam Chandler	2019 LTI	2019	968,814	NA	33%	67%	Subject to performance hurdles and vesting conditions detailed on pages 34 and 35 of the Report		
Kathleen Miller	2019 LTI	2019	322,938		33%				
Richard Wenzel	2019 LTI	2019	161,469		33%				
Sam Chandler	Historical LTI	2016	1,586,421	57%	26%	17%	15%	2%	0%
Kathleen Miller	Historical LTI	2019	2,064,582	NA	50%	50%	22%	13%	13%

Auditor's Independence Declaration

for the year ended 31 December 2019

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Nitro Software Limited for the year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Nitro Software Limited and the entities it controlled during the period.

Niamh Hussey
Partner
PricewaterhouseCoopers

Melbourne
31 March 2020

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Consolidated Statement of Comprehensive Income

for the year ended 31 December 2019

US$ ('000) EXCEPT PER SHARE AMOUNT	NOTE	2019	2018
Revenue	3, 4(a)	**35,672**	32,406
Cost of sales		**(3,650)**	(3,846)
Gross profit		**32,022**	28,560
Sales and marketing		**(18,659)**	(15,435)
Research and development		**(7,016)**	(7,670)
General and administrative		**(11,325)**	(7,021)
Other income/(loss)	5(a)	**1,175**	(1,188)
Finance costs	13(b)	**(1,761)**	(649)
Depreciation and amortisation expense		**(2,013)**	(1,958)
(Loss) before income tax		**(7,577)**	(5,361)
Income tax expense	6	**(354)**	(160)
(Loss) for the year		**(7,931)**	(5,521)
Other comprehensive income			
Item that may be reclassified to profit or loss			
Adjustment from translation from foreign controlled entities		**(169)**	239
Other comprehensive (loss)/income for the year, net of tax		**(169)**	239
Total comprehensive (loss) for the year		**(8,100)**	(5,282)
Loss per share attributable to equity shareholders			
Earnings per share			
Basic loss per share[1]	7	**(0.11)**	(0.08)
Diluted loss per share[1]	7	**(0.11)**	(0.08)

1. Basic and diluted earnings per share in the comparative period has been restated following the 9 for 1 share split undertaken on 18 November 2019.

Consolidated Statement of Financial Position

for the year ended 31 December 2019

US$ ('000)	NOTE	2019	2018
ASSETS			
Current assets			
Cash and cash equivalents	9	**47,017**	4,049
Trade and other receivables	8, 4(b)	**6,663**	6,004
Current tax receivables		**91**	28
Other current assets		**—**	305
Total current assets		**53,771**	10,386
Non-current assets			
Receivables and contract assets	8, 4(b)	**17,485**	16,049
Property, plant and equipment	10	**564**	41
Intangible assets	11	**64**	923
Deferred tax assets	6	**189**	163
Right of use assets	13(c)	**3,058**	—
Other non-current assets		**209**	255
Total non-current assets		**21,569**	17,431
Total assets		**75,340**	27,817
LIABILITIES			
Current liabilities			
Trade and other payables		**5,569**	3,748
Borrowings	13	**—**	2,700
Deferred revenue	4(b)	**18,930**	15,703
Lease liability	13(c)	**1,393**	—
Total current liabilities		**25,892**	22,151
Non-current liabilities			
Borrowings	13	**—**	1,742
Deferred revenue	4(b)	**14,167**	10,919
Deferred tax liability	6	**344**	—
Lease liability	13(c)	**1,540**	—
Total non-current liabilities		**16,051**	12,661
Total liabilities		**41,943**	34,812
Net assets/(liabilities)		**33,397**	(6,995)
Contributed equity		**90,209**	42,555
Other reserves		**1,705**	1,036
(Accumulated losses)		**(58,517)**	(50,586)
Total equity/(deficiency in equity)		**33,397**	(6,995)

Consolidated Statement of Changes in Equity

for the year ended 31 December 2019

US$ ('000)	NOTE	CONTRIBUTED EQUITY	WARRANT RESERVE	EMPLOYEE EQUITY BENEFITS RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	(ACCUMULATED LOSSES)	TOTAL EQUITY
As at 1 January 2019		42,555	76	3,711	(2,751)	(50,586)	(6,995)
Loss for the year		—	—	—	—	(7,931)	(7,931)
Other comprehensive income							
Exchange differences from translation of foreign operations	2(f)	—	—	—	(169)	—	(169)
Total comprehensive income for the year		—	—	—	(169)	(7,931)	(8,100)
Transactions with owners of the Company							
Shares issued on IPO	12	44,833	—	—	—	—	44,833
Shares issued to convertible note holders	13(b)	6,199	—	—	—	—	6,199
Share options exercised	15(a)-(c)	289	—	—	—	—	289
Employee share options granted	15(a)-(c)	—	—	838	—	—	838
Expenses directly attributable to the issue of shares		(3,667)	—	—	—	—	(3,667)
As at 31 December 2019		90,209	76	4,549	(2,920)	(58,517)	33,397

US$ ('000)	NOTE	CONTRIBUTED EQUITY	WARRANT RESERVE	EMPLOYEE EQUITY BENEFITS RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	(ACCUMULATED LOSSES)	TOTAL EQUITY
As at 1 January 2018		40,430	76	3,148	(2,990)	(45,065)	(4,401)
Loss for the year		—	—	—	—	(5,521)	(5,521)
Other comprehensive income							
Exchange differences from translation of foreign operations	2(f)	—	—	—	239	—	239
Total comprehensive loss for the year		—	—	—	239	(5,521)	(5,282)
Transactions with owners of the Company							
Issue of preference shares	12	2,054	—	—	—	—	2,054
Expenses directly attributable to the issue of shares	15(a)-(c)	71	—	—	—	—	71
Employee share options granted	15(a)-(c)	—	—	563	—	—	563
As at 31 December 2018		42,555	76	3,711	(2,751)	(50,586)	(6,995)

Consolidated Statement of Cash Flows

for the year ended 31 December 2019

US$ ('000)	2019	2018
Cash flows from operating activities		
Loss for the year	**(7,931)**	(5,521)
Add back		
Depreciation and amortisation	**2,013**	1,958
Share-based payments	**838**	563
Finance costs	**1,761**	649
Loss on sales of asset	**—**	544
Asset write-offs	**—**	38
Net exchange differences	**(1,491)**	467
Change in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	**(3,188)**	(8,198)
(Increase)/decrease in deferred tax assets	**318**	(31)
(Increase)/decrease in tax receivable	**36**	32
Increase/(decrease) in trade and other payables	**1,556**	725
Increase/(decrease) in deferred income	**6,475**	8,779
Income taxes paid	**(99)**	(210)
Net cash inflow/(outflow) from operating activities	358	(269)
Cash flows from investing activities		
Payments for property, plant and equipment	**(689)**	(52)
Proceeds from sale of property, plant and equipment	**—**	23
Receipt of loans from shareholders	**31**	—
Net cash inflow/(outflow) from investing activities	(658)	(29)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	**44,833**	2,125
Proceeds from issue of convertible notes	**5,000**	—
Proceeds from issue of preference shares	**1,750**	—
Proceeds from exercise of share options	**121**	—
Transaction costs related to issue of shares	**(3,446)**	—
Finance cost paid	**(511)**	(649)
Payment for leases	**(1,182)**	(249)
Repayment of borrowings	**(4,466)**	(2,809)
Net cash inflow/(outflow) from financing activities	42,099	(1,582)
Net increase/(decrease) in cash and cash equivalents	41,799	(1,880)
Cash and cash equivalents at the beginning of the year	4,049	5,926
Effect of movement in exchange rates on cash held	1,169	3
Cash and cash equivalents at the end of the year	47,017	4,049

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

The notes include information which is required to understand the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and the consolidated statement of cash flows, together referred to as the consolidated financial statements and is material and relevant to the operations and performance of the Group. The notes are organised into the following sections:

- General information;
- Financial performance and results;
- Capital structure, financing and financial risk management;
- Investing activities; and
- Other matters.

Note 1: General information

(a) Reporting entity

Nitro Software Limited (the 'Company' or 'Nitro') is a company domiciled in Australia.

These consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the 'Group').

The Group is a for-profit entity and its principal activity during the financial year was providing software and support services in relation to document productivity.

(b) Authorisation for issue

These consolidated financial statements have been authorised for issue by a resolution of the Board of Directors on 31 March 2020.

Note 2: Basis of preparation

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ('AASBs') issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*. The consolidated financial statements also comply with International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ('IASB').

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Nitro Software Ltd ('company' or 'parent entity') as at 31 December 2019 and the results of all subsidiaries for the year then ended.

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

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

The consolidated financial statements incorporate the assets, liabilities and equity of the following subsidiaries in accordance with the accounting policy described in this note.

NAME OF THE ENTITY	COUNTRY OF INCORPORATION	EQUITY HOLDING 2019	EQUITY HOLDING 2018
Nitro Software Inc	United States of America	**100%**	100%
Nitro Software EMEA Limited	Ireland	**100%**	100%

(c) Going concern

The consolidated financial statements have been prepared on a going concern basis which assumes that the Group will be able to continue its operations and pay its debts and obligations as and when they become due for payment. This assumption is based on the Group's projection of future cash outflow, cash inflows from operations and cash and cash equivalents as at the date of the balance sheet.

(d) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for share-based payments which are measured at fair value.

(e) Functional and presentation currency

These consolidated financial statements are presented in United States Dollars (USD), the Company's functional currency, consistent with the predominant functional currency of the Group's operations. The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the consolidated financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(f) Foreign currency

Transactions related to the Group's worldwide operations are conducted in a number of foreign currencies. The majority of the subsidiaries have assessed USD as the functional currency, however, some subsidiaries, have functional currencies other than USD. Transactions and monetary items denominated in foreign currencies are translated into USD as follows:

FOREIGN CURRENCY ITEM	APPLICABLE EXCHANGE RATE
Transactions	Date of the underlying transaction
Monetary assets and liabilities	Period-end rate
Non-monetary assets and liabilities	Date of the underlying transaction

Foreign exchange gains and losses resulting from translation are recognised in the income statement, except for qualifying cash flow hedges (which are deferred to equity) and foreign exchange gains and losses that relate to borrowings which are presented in the consolidated statement of comprehensive income within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within other income or other expenses.

On consolidation, the assets, liabilities, income and expenses of non-USD denominated functional currency entities are translated into US dollars using the following applicable exchange rates:

FOREIGN CURRENCY ITEM	APPLICABLE EXCHANGE RATE
Income and expenses	Date of the underlying transaction
Assets and liabilities	Period-end rate
Equity and reserves	Historical rate

Foreign exchange differences resulting from translation are initially recognised in the foreign currency translation reserve and subsequently transferred to the income statement on disposal of a foreign operation.

(g) Use of judgements and estimates

In the preparation of these consolidated financial statements, the Group management has identified a number of critical accounting policies under which significant judgements, estimates and assumptions are made. This can affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Actual results may differ for these estimates under different assumptions and conditions. This may materially affect financial results and the carrying amount of assets and liabilities to be reported in the next and future periods.

All judgements, estimates and underlying assumptions are based on most current facts and circumstances and are reassessed on an ongoing basis. The effect of revisions to these estimates are recognised prospectively.

Accounting policies, and information about judgements, estimates and assumptions that have had a significant impact on the amounts recognised in the consolidated financial statements are disclosed in the relevant notes as follows:

- Revenue recognition (Refer note 4); and
- Share-based payments (Refer note 15).

(h) Significant accounting policies

Accounting policies are disclosed within each of the applicable notes to the consolidated financial statements to which these policies relate. The Group's accounting policies have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities, except as detailed below:

- Except as explained in note 13(c) — on account of adoption of AASB 16 Leases; and
- To ensure consistency with the current period, comparative figures have been restated where appropriate.

(i) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact in the current or future reporting periods and on foreseeable future transactions.

Note 3: Segment reporting

This note provides results by operating segment for the year ended 31 December 2019. The operating segments are reported in a manner consistent with the internal reporting to the CEO. The CEO is the Chief Operating Decision Maker ('CODM').

The CODM assess the Group's performance on a product/service perspective and has identified two reportable segments:

- Subscription — being the sale of 'software-as-a-service' to businesses providing access to a licence.
- Perpetual licence and support — being the sale of perpetual licence products (including optional support services) both direct to customers and to businesses.

The CODM, primarily uses a measure of gross profit to assess the performance of the operating segments.

The assets, liabilities, other operating expenses and treasury operations are reviewed by the CODM in aggregate basis and are not allocated to the operating segments. Operating segment assets and liabilities are hence not disclosed.

USD$ ('000)	2019 SUBSCRIPTION	2019 PERPETUAL	2019 TOTAL	2018 SUBSCRIPTION	2018 PERPETUAL	2018 TOTAL
Revenue	**13,193**	**22,479**	**35,672**	6,887	25,519	32,406
Cost of goods sold	**(1,172)**	**(2,478)**	**(3,650)**	(944)	(2,902)	(3,846)
Gross profit	**12,021**	**20,001**	**32,022**	5,943	22,617	28,560
Gross margin %	**91%**	**89%**	**90%**	86%	89%	88%

The geographical split of revenue is unavailable and would be prohibitive to obtain. 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. The CODM, does not monitor or review the geographical breakdown of the operations given the nature of the products and operations of the Group in relation to document productivity through the portable document format ('PDF').

There were no customers contributing more than 10% of revenue during the current and comparative period.

Note 4: Revenue and contract balances

(a) Revenue

The Group's revenue is derived from the sale of cloud-enabled software subscriptions, cloud-hosted offerings, term-based/subscription and perpetual software licences, associated software maintenance and support plans, consulting services, training and technical support.

Revenue from contracts with customers is disaggregated by the nature of product and services and timing of recognition which are most reflective of the impact of the industry and economic environment in which the Group operates.

DISAGGREGATED BY PRODUCT CHARACTERISTICS USD ($'000)	2019	2018
Subscription	**13,193**	6,887
Perpetual licences and support revenue	**22,479**	25,519
Total revenue	**35,672**	32,406
DISAGGREGATED BY TIMING OF REVENUE RECOGNITION USD ($'000)		
Products and services transferred at a point in time	**15,003**	17,916
Products and services transferred at over time	**20,669**	14,490
Total revenue	**35,672**	32,406

Accounting policy: Revenue

Revenue is recognised when a contract exists between the Group and a customer and upon transfer of control of products or services to customers in an amount that reflects the consideration the Group expects to receive in exchange for those products or services.

We enter into contracts that can include various combinations of products and services, which may be capable of being distinct and accounted for as separate performance obligations, or in the case of offerings such as cloud-enabled subscription licences, accounted for as a single performance obligation. Revenue is recognised net of allowances for returns and any taxes collected from customers, which are subsequently remitted to governmental authorities.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms and related revenue recognition policies.

TYPE OF PRODUCT OR SERVICE	NATURE AND TIMING OF SATISFACTION OF THE PERFORMANCE OBLIGATIONS, INCLUDING SIGNIFICANT PAYMENT TERMS	REVENUE RECOGNITION POLICIES
Sale of perpetual licences for on-device or desktop software	• Customers obtain control of the software upon delivery of the software licence key and their acceptance or when the acceptance provisions have lapsed. • The delivery of the software licence key is contingent upon payment by the customer in advance. • Some contracts include maintenance and support of the product, the pricing for which is distinct and detailed separately from the price of the software licence. The maintenance and support agreements are generally for a 12-month period. • Customers are able to generate new user licence keys for additional users after initial delivery of the initial software licence key through issuance of a order. This is treated as an amendment to the contract and invoiced accordingly.	• Revenue from perpetual licences is recognised at the point in time the software is available to the customer, provided all other revenue recognition criteria are met. • Revenue from maintenance and support contracts is recognised on a straight-line basis over the support term as the underlying service is a stand-ready performance obligation.
Subscription agreements for • on-device or desktop software; and • fully hosted subscription services ('SaaS')	• In relation to on device or desktop software, customers obtain control of the software upon delivery of the software licence key and their acceptance or when the acceptance provisions have lapsed • In relation to SaaS, customers are granted access to the software, without taking possession of the software. • Support and maintenance arrangements are built into all subscription agreements • Subscription periods are typically entered into for 36 months and are billed annually in advance. • All contracts have automatic renewal for a period of 12 months unless otherwise notified in writing prior to expiration of the contract term. • Subscription services represent a single obligation to provide continuous access to the software, maintenance and support including upgrades on an 'if and when available' basis. • As each day of providing access to the software is substantially the same and the customer simultaneously receives and consumes the benefit as access is provided, the Group has determined that its subscriptions services arrangement include a single performance obligation comprised of a series of distinct services. • Customers are able to generate new user licence keys for additional users after initial delivery of the initial software licence key through issuance of an order. This is treated as an amendment to the contract and invoiced accordingly.	• Revenue from the Company's subscription services is recognised over time on a straight-line basis over the contract term beginning on the date that the Company's application suite or product is made available to the customer. • In relation to automatic renewals, revenue is recognised over time on a straight-line basis based on the amount the Company expects to receive in relation to these services

(b) Contract balances

CONTRACT BALANCES USD ($'000) CONTRACT ASSETS	2019	2018
Trade receivables, net of loss allowance	**4,755**	3,650
Contract assets	**13,424**	12,403
Capitalised contract acquisition costs	**4,061**	3,646
Total contract assets	**22,240**	19,699
CONTRACT LIABILITIES		
Deferred revenue	**33,097**	26,622
Total contract liabilities	**33,097**	26,622

During the year ended 31 December 2019, approximately $15.7 million of revenue was recognised that was included in balance of deferred revenue as of 31 December 2018.

Remaining performance obligations were approximately US$33.1 million as of 31 December 2019. Approximately 57% of the remaining performance obligations are expected to be recognised over the next 12 months with the remainder recognised thereafter.

Accounting policy:

Trade receivables

A receivable is recorded when an unconditional right to invoice and receive payment exists, such that only the passage of time is required before payment of consideration is due. Timing of revenue recognition may differ from the timing of invoicing to customers. Certain performance obligations may require payment before delivery of the licence or service to the customer.

Contract assets

A contract asset is recognised when a conditional right to consideration exists and transfer of control has occurred. Contract assets are typically related to subscription and maintenance and support contracts where the transaction price allocated to the satisfied performance obligations exceeds the value of billings to date. Included in receivables and contract assets on the consolidated statement of financial position are unbilled receivable balances which have not yet been invoiced and are typically related licence revenue or services which are delivered prior to invoicing.

Contract assets are included in trade and other receivables for the current portion and receivables and contract assets for the long-term portion on the consolidated statement of financial position.

Contract liabilities

Contract liabilities represents deferred revenue which primarily consists of billings or payments received in advance of revenue recognition from subscription services, including non-cancellable and non-refundable committed funds and deposits. Deferred revenue is recognised as revenue when transfer of control to customers has occurred. Customers are typically invoiced for these agreements in regular instalments and revenue is recognised on a straight-line basis over the contractual subscription period. The deferred revenue balance is influenced by several factors, including seasonality, the compounding effects of renewals, invoice duration, invoice timing, size and new business linearity within the quarter. Deferred revenue does not represent the total contract value of annual or multi-year non-cancellable subscription agreements.

Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 30 to 60 days. In instances where the timing of revenue recognition differs from the timing of invoicing, we have determined our contracts generally do not include a significant financing component. The primary purpose of our invoicing terms is to provide customers with simplified and predictable ways of purchasing our products and services, such as invoicing at the beginning of a subscription term with revenue recognised on a straight-line basis over the contract period, and not to receive financing from our customers. Any potential financing fees are considered insignificant in the context of our contracts.

Significant movements in the deferred revenue balance during the period consisted of increases due to payments received prior to transfer of control of the underlying performance obligations to the customer, which were offset by decreases due to revenue recognised in the period.

Transaction price allocated to remaining performance obligations represents contracted revenue that has not yet been recognised, which includes deferred revenue and unbilled amounts that will be recognised as revenue in future periods.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

Contract costs

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

The costs capitalised under the AASB 15 include sales commissions paid to our sales force personnel and channel partners, resellers and third parties. Capitalised costs may also include portions of fringe benefits and payroll taxes associated with compensation for incremental costs to acquire customer contracts and incentive payments to partners. Capitalised costs to obtain a contract are amortised over the expected period of benefit, which is determined, based on the Group's analysis, to be 3 years. The Group evaluated qualitative and quantitative factors to determine the period of amortisation, including contract length, renewals, customer life and the useful lives of our products. When the expected period of benefit of an asset which would be capitalised is less than one year, the Group expenses the amount as incurred. These expenses and amortisation of capitalised contract cost are classified under sales and marketing expense in the consolidated statement of comprehensive income. The group regularly evaluate whether there have been changes in the underlying assumptions and data used to determine the amortisation period.

RECONCILIATION OF CARRYING AMOUNTS USD ($'000)	2019	2018
At the beginning of the year	**3,646**	1,838
Additions	**2,619**	2,947
Amortisation	**(2,204)**	(1,139)
At the end of the year	4,061	3,646
Capitalised contract costs included in		
Non-current receivables	**4,061**	3,646

Loss allowance

The Group has two types of financial assets that are subject to AASB 9's expected credit loss model which are trade receivables and contract assets. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. Loss allowances in previous periods have not been material. Historical loss rates have been adjusted to reflect current and forward-looking information on factors impacting the ability of the customers to settle the outstanding debt.

ON TRADE RECEIVABLES AND CONTRACT ASSETS USD ($'000)	2019	2018
Loss allowance at the beginning of the year	87	76
(Reversal)/provision for loss allowance	**(41)**	—
Write-offs	**(30)**	(3)
Recovery of balances written off	9	14
Loss allowance at the end of the year	25	87

Note 5: Other income and expenses

(a) Other income

DISAGGREGATED BY NATURE USD ($'000)	2019	2018
Net (loss)/gain on disposal of property, plant and equipment	—	(544)
Net foreign exchange gains/(losses)	**1,136**	(467)
Interest income	**40**	34
Other (loss)/income	**(1)**	(211)
Total other income/(expense)	**1,175**	(1,188)

Interest income

Income is recognised as the interest accrues (using the effective interest method), which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

(b) Expenses

The loss before income tax includes the following material specific expenses:

EMPLOYEE BENEFIT EXPENSES USD ($'000)	NOTE	2019	2018
Wages and salaries		**21,194**	20,209
Superannuation		**77**	51
Share-based payments	15 (a)-(c)	**838**	563
Employee benefit expenses		**22,109**	20,823

Cost of sales

Cost of sales includes all expenses incurred attributable to the generation of revenue. These costs typically include payments made to retail merchants to manage revenue from online stores, third party technologies that are embedded in our product, services to ensure our services are able to be delivered (e.g. public cloud services), and personnel costs which are directly related to delivering post-contract customer support.

Finance costs

Finance costs represents borrowing costs and includes interest, amortisation of discounts or premiums relating to borrowings and amortisation of costs incurred in connection with the arrangement of new borrowings facilities. Finance costs are expensed immediately as incurred. No finance costs have been capitalised.

Note 6: Income taxes

(a) Income tax

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

(b) Current tax

Current tax is the expected tax payable on the taxable income for the financial year, using applicable tax rates (and tax laws) at the balance sheet date in each jurisdiction, and any adjustment to tax payable in respect of previous financial years. The Group periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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(c) Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The following temporary differences are not provided for:

- The initial recognition of goodwill; and
- The initial recognition of assets or liabilities that affect neither accounting nor taxable profit.

(d) Measurement, recognition and presentation

Measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

INCOME TAX EXPENSE USD ($'000)	2019	2018
Current tax expense	36	167
Deferred tax expense	318	(7)
Income tax expense	**354**	160

NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE USD ($'000)	2019	2018
Loss before income tax	**(7,577)**	(5,361)
Tax at the Australian Tax rate of 30% (31 December 2018: 30%)	**2,273**	1,608
Tax effect of amounts which are not deductible in calculating taxable income		
Share-based payments expense	(75)	—
Other non deductible expenses	(22)	—
Transaction costs on issues of shares	(888)	—
Finance costs in relation to convertible note	(375)	—
Effect of lower tax rates in USA, Ireland and UK	252	160
Current year losses for which no deferred tax is recognised	(1,520)	(1,928)
Income tax expense	**(354)**	(160)

DEFERRED TAX USD ($'000)	BALANCE AT 1 JANUARY 2019	RECOGNISED IN THE INCOME STATEMENT	RECOGNISED IN EQUITY	BALANCE AT 31 DECEMBER 2019
Deferred tax asset/(liability)				
Share issue expenses	**42**	**(31)**	**—**	**11**
Provisions and accruals	**63**	**84**	**—**	**147**
Unrealised exchange rate differences	**4**	**(347)**	**—**	**(343)**
Property, plant and equipment	**55**	**(79)**	**—**	**(24)**
Intangibles	**—**	**55**	**—**	**55**
Net deferred tax asset/(liability)	**163**	**(318)**	**—**	**(155)**
Deferred tax asset	***163***			***189***
Deferred tax liability	***—***			***344***

DEFERRED TAX USD ($'000)	BALANCE AT 1 JANUARY 2018	RECOGNISED IN THE INCOME STATEMENT	RECOGNISED IN EQUITY	BALANCE AT 31 DECEMBER 2018
Deferred tax asset/(liability)				
Share issue expenses	42	—	—	42
Provisions and accruals	36	27	—	63
Unrealised exchange rate differences	—	4	—	4
Property, plant and equipment	3	52	—	55
Intangibles	63	(63)	—	—
Others	12	(12)	—	—
Net deferred tax asset/(liability)	156	7	—	163
Deferred tax asset	*168*			*163*
Deferred tax liability	*12*			—

The Group has unused tax losses of US$58.74 million (31 December 2018: US$49.05 million) which has not been recognised as a deferred tax asset. The unused tax losses were incurred by the Group's United States operations and is not likely to generate taxable income in the foreseeable future. The Group is currently undertaking an assessment of the eligibility to carry forward these losses in the future.

Note 7: Earnings per share ('EPS')

Basic EPS is determined by dividing profit/(loss) after tax attributable to members of the Company and Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted EPS is determined by adjusting the profit/(loss) after tax attributable to members of the Company and Group, and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. Dilution occurs when employee share options are included in outstanding shares.

USD ($'000)	2019	2018
Net loss attributable to ordinary equity holders	**(7,931)**	(5,521)
Net loss used in calculating diluted earnings per share	**(7,931)**	(5,521)

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WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES ON ISSUE USED IN THE CALCULATION OF:	2019 SHARES	2018 SHARES
Basic earnings per share	**73,133,789**	65,832,314
Diluted earnings per share	**73,133,789**	65,832,314

EARNINGS PER SHARE USD	2019	2018
Basic	**(0.11)**	(0.08)
Diluted	**(0.11)**	(0.08)

The Group's only potential dilutive ordinary shares are share awards granted under the employee share ownership plans and convertible notes. Diluted earnings per share calculation excludes instruments which are considered anti-dilutive. For the year ended 31 December 2019, the effect of shares in relation to the Historical and Current LTIP could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are anti-dilutive for the period(s) presented.

Note 8: Trade and other receivables

TRADE AND OTHER RECEIVABLES USD ($'000)	NOTE	2019	2018
Trade receivables and contract assets, net	4(b)	**18,179**	16,053
Contract acquisition costs, net	4(b)	**4,061**	3,646
Prepayments		**1,324**	288
Other receivables due from related parties	15(e)	**120**	15
Others		**464**	2,051
		24,148	22,053
Trade and other receivables			
Current		***6,663***	*6,004*
Non-current		***17,485***	*16,049*

Note 9: Cash and cash equivalents

USD ($'000)	2019	2018
Bank balances	**47,017**	4,049

Accounting policy

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

Note 10: Property plant and equipment

RECONCILIATION OF CARRYING AMOUNTS AS AT 31 DECEMBER 2019 USD ($'000)	PLANT & EQUIPMENT	FURNITURE, FITTINGS & EQUIPMENT	LEASEHOLD IMPROVEMENTS	TOTAL
Carrying value at the beginning of the year	4	18	19	41
Additions	150	25	514	689
Amortisation	(29)	(13)	(123)	(165)
Disposals	—	—	—	—
FX adjustments	—	—	(1)	(1)
Carrying value at the end of the year	125	30	409	564
AS AT 31 DECEMBER 2019				
Cost	595	154	569	1,318
Accumulated depreciation	(470)	(124)	(160)	(754)
Carrying value at the end of the year	125	30	409	564

RECONCILIATION OF CARRYING AMOUNTS AS AT 31 DECEMBER 2018 USD ($'000)	PLANT & EQUIPMENT	FURNITURE, FITTINGS & EQUIPMENT	LEASEHOLD IMPROVEMENTS	TOTAL
Carrying value at the beginning of the year	40	26	658	724
Additions	—	12	40	52
Amortisation	(22)	(20)	(125)	(167)
Disposals	(14)	—	(554)	(568)
FX adjustments	—	—	—	—
Carrying value at the end of the year	4	18	19	41
AS AT 31 DECEMBER 2018				
Cost	510	133	81	724
Accumulated depreciation	(506)	(115)	(62)	(683)
Carrying value at the end of the year	4	18	19	41

Accounting policy: Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than its estimated recoverable amount, the carrying amount is written down immediately to its estimated recoverable amount and impairment losses are recognised either in profit or loss as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred. Depreciation of furniture and fixtures and computer equipment is measured using the straight-line method over estimated useful lives of the assets, generally 3 to 5 years. Leasehold improvements are amortised over the lesser of the estimated useful life of the asset or the remaining lease term. The depreciation rates used for each class of depreciable assets are:

- Leasehold improvements 20%
- Furniture and fittings 33%
- Office equipment 33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

Accounting policy: Impairment of assets

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

Note 11: Intangible assets

(a) Reconciliation of carrying amounts

AS AT 31 DECEMBER 2019 USD ($'000)	INTELLECTUAL PROPERTY	SOFTWARE	COMMERCIALISED SOFTWARE	DOMAINS	TOTAL
Carrying value at the beginning of the year	2	—	921	—	923
Additions	—	—	—	—	—
Amortisation	(1)	—	(844)	—	(845)
Disposals	—	—	—	—	—
FX adjustments	—	—	(14)	—	(14)
Carrying value at the end of the year	1	—	63	—	64

AS AT 31 DECEMBER 2019 USD ($'000)					
Cost	21	681	11,466	43	12,211
Accumulated depreciation	(20)	(681)	(11,403)	(43)	(12,147)
Carrying value at the end of the year	1	—	63	—	64

During the year ended 31 December 2019, all research and development costs were expensed as they did not meet the recognition and measurement criteria under the AASB 138.

AS AT 31 DECEMBER 2018 USD ($'000)	INTELLECTUAL PROPERTY	SOFTWARE	COMMERCIALISED SOFTWARE	DOMAINS	TOTAL
Carrying value at the beginning of the year	64	18	2,696	—	2,778
Additions	—	—	—	—	—
Amortisation	(58)	(18)	(1,743)	—	(1,819)
Disposals	(4)	—	(32)	—	(36)
FX adjustments	—	—	—	—	—
Carrying value at the end of the year	2	—	921	—	923

AS AT 31 DECEMBER 2018					
Cost	24	723	11,480	43	12,270
Accumulated depreciation	(22)	(723)	(10,559)	(43)	(11,347)
Carrying value at the end of the year	2	—	921	—	923

During the year ended 31 December 2018, all research and development costs were expensed as they did not meet the recognition and measurement criteria under the AASB 138.

Accounting policy

Software development costs

Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, which varies from 3 to 5 years.

The amortisation rates used for each class of intangible assets are:

- Intellectual property 20%
- Software 33% – 40%
- Capitalised software 50%
- Domains 33%

Software development costs include costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

Notes to the Consolidated Financial Statements

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Note 12: Contributed equity

			Preference shares							
	ORDINARY SHARES		SERIES A		SERIES B		SERIES C		SERIES D	
2019	SHARES	USD $'000	SHARES	USD $'000	SHARES	USD $'000	SHARES	USD $'000	SHARES	USD $'000
Balance at the beginning of the year[1]	66,045,285	628	18,227,160	789	14,986,017	6,600	21,443,481	14,730	23,215,851	19,808
Issue of shares during the year[2]	38,249,649	44,833	—	—	—	—	—	—	—	—
Conversion to ordinary shares	77,872,509	41,927	(18,227,160)	(789)	(14,986,017)	(6,600)	(21,443,481)	(14,730)	(23,215,851)	(19,808)
Issue of shares on conversion of notes	5,304,699	6,199	—	—	—	—	—	—	—	—
Shares issued on exercise of options and warrants	1,456,854	289	—	—	—	—	—	—	—	—
Expenses directly attributable to issue of shares	—	(3,667)	—	—	—	—	—	—	—	—
Balance at the end of the year	188,928,996	90,209	—	—	—	—	—	—	—	—

1. The number of shares at the beginning of the year have been adjusted for the impact of 9:1 stock split on 18 November 2019.
2. On 11 December 2019, the Company completed a $44 .83 million capital raise (before costs), through an IPO of 38,249,649 new fully paid ordinary shares at the offer price of A$1.72. The Company incurred a total of $6.63 million in transaction costs of which $3.67 million which are directly attributable to the issue of the shares was recorded in the consolidated statement of changes in equity and the balance $2.96 million recorded in the consolidated statement of comprehensive income.

			Preference shares							
	ORDINARY SHARES		SERIES A		SERIES B		SERIES C		SERIES D	
2018	SHARES	USD $'000	SHARES	USD $'000	SHARES	USD $'000	SHARES	USD $'000	SHARES	USD $'000
Balance at the beginning of the year	65,594,529	498	18,227,160	789	14,986,017	6,600	21,443,481	14,730	21,262,680	17,813
Issue of shares during the year	—	—	—	—	—	—	—	—	1,953,171	2,000
Shares issued on exercise of options	358,002	71	—	—	—	—	—	—	—	—
Cancellation of ESP	(251,046)	(68)	—	—	—	—	—	—	—	—
Employee share plan issue	343,800	128	—	—	—	—	—	—	—	—
Expenses directly attributable to issue of shares	—	—	—	—	—	—	—	—	—	(5)
Balance at the end of the year	66,045,285	628	18,227,160	789	14,986,017	6,600	21,443,481	14,730	23,215,851	19,808

The balance of shares outstanding and issued have been adjusted for the impact of 9:1 stock split on 18 November 2019.

(a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On 18 November 2019, by a resolution of the members of the Company, the existing equity shares were split in a ratio of a 9 for 1 stock split.

(b) Preference shares

Series A, B, C and D Preference shares are entitled to receive any dividend declared by the Board as it they are equal to the number of Ordinary Shares which may be issued upon their conversion into Ordinary Shares. The preference share were converted to ordinary shares prior to the completion of the IPO.

(c) Options

As at 31 December 2019 there were 15,873,129 (31 December 2018: 17,375,229) vested and unvested options on issue (refer note 15(b) for details). These have been adjusted for the 9:1 stock split on 18 November 2019.

(d) Reserves

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

The employee share benefits reserve is used to record the value of share-based payments provided to employees, including KMP as part of their remuneration.

The warrants reserve is used to record the value of warrants issued to third parties against the shares of the company.

Note 13: Loans and borrowings

USD ('000)	NOTE	2019	2018
Current liabilities			
Bank loans	13(a)	—	2,700
Lease liabilities	13(c)	**1,393**	—
Total current loans and borrowings		**1,393**	2,700
Non-current liabilities			
Bank loans	13(a)	—	1,742
Lease liabilities	13(c)	**1,540**	—
Total non-current loans and borrowings		**1,540**	1,742
Total loans and borrowings		**2,933**	4,442

Accounting policy

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the year of the borrowings using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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

(a) Borrowings from Silicon Valley Bank ('SVB')

During the year ended 31 December 2019, the Company has repaid the borrowings from SVB and there were no obligations in relation to these as at the date of the balance sheet. There were no breaches of financial covenants under the borrowing agreement.

(b) Convertible notes

In August 2019, the Company issued $5 million of convertible notes at a face value of $1 each. These notes had a maturity date of 31 December 2020 and were convertible on defined exit events. In this case the exit event was the IPO. The conversion price accordingly was, either:

- 80% of the Per Share Value; in case the IPO completed before 31 December 2019, or
- 75% of the Per Share Value; in case the IPO completed between 1 January 2020 and the maturity date, or
- the Per Share Capped Value which is implied by a total equity valuation of the Company equal to US$200 million.

Accordingly, the cost of US$1,250K has been recognised as finance cost in the consolidated statement of comprehensive income which represents a 20% discount on per share value.

(c) Leases

The Group leases property and equipment. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. In 2019, the Group entered into two non-cancellable lease agreements for their office facilities in San Francisco, United States of America (USA) and Dublin, Ireland. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. The weighted average lessee's incremental borrowing rate applied to the lease liabilities at their inception was 7.75% for USA and 5% for Ireland.

The Group also assessed leases existing as at 1 January 2019 in Australia, USA and Ireland ('2018 operating lease agreements'). As of the application of AASB 16, the 2018 operating lease agreements, had a lease term less than one year. As such, these were classified as short-term leases using the practical expedients in AASB 16 and excluded from the recognition and measurement principles under the standard. Similarly, leases for other plant and equipment are considered as low value leases using the practical expedients in AASB 16 and excluded from the recognition and measurement principles under the standard.

Financial disclosures AASB 16

RIGHT OF USE ASSET RECONCILIATION OF CARRYING AMOUNTS AS AT 31 DECEMBER 2019 USD ('000)	PROPERTY
Carrying value at the beginning of the year	—
Additions	4,105
Amortisation	(1,003)
FX adjustments	(44)
Carrying value at the end of the year	3,058

AS AT 31 DECEMBER 2019 USD ('000)	
Cost	4,064
Accumulated depreciation	(1,006)
Carrying value at the end of the year	3,058

LEASE LIABILITIES — MATURITY ANALYSIS AS AT 31 DECEMBER 2019 USD ('000)	PROPERTY
Contractual undiscounted cash flows	
Less than one year	**1,513**
One to five years	**1,621**
More than five years	**—**
Total undiscounted lease liabilities as at 31 December 2019	3,134
Lease liabilities included in the statement of financial position	2,933
— Current	**1,393**
— Non-current	**1,540**

The Group seeks to include extension options in its leases for operational flexibility. At the inception of the lease, the Group has assessed that it is not reasonably certain that the extension options will be we exercised given the size of the business and future growth.

AMOUNTS RECOGNISED IN PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2019 USD ('000)	PROPERTY
Interest on lease liabilities	**164**
Expenses relating to short-term leases	**359**
Expenses relating to leases of low value assets, excluding short term leases of low value assets	**8**

AMOUNTS RECOGNISED IN THE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019 USD ('000)	PROPERTY
Total cash outflow for leases	**1,182**

Changes to significant accounting policies

A new standard became applicable for the 1 Jan 2019 and the Group had to change its accounting policy as a result of adopting AASB 16 Leases.

As a result of the change in accounting policy, the Group has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117. The cumulative effect of initial application is recognised in retained earnings at 1 January 2019.

On adoption of AASB 16, the Group elected to apply the practical expedients noted below:

Identification of a lease:
The Group applied AASB 16 only to contracts that were previously identified as leases under AASB 117 and IFRIC 4. Therefore, the definition of a lease under AASB 16 was applied to contracts that were entered into and changed on or after 1 January 2019.

Recognition and measurement of leases previously classified as operating leases under AASB 117
The Group has not applied the recognition and measurement principles of AASB 16 in relation to short-term leases with a lease term of 12-months or low-value assets. These are expensed on a straight-line basis over the lease term.

Impact of transition

As a lessee, the Group leases a number of assets including property and IT equipment. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all risks and rewards of ownership.

Leases previously classified as operating leases

Under AASB 16, as at 1 January 2019, the Group has no leases that would be classified as right of use assets as they are either low value assets or have a lease term of less than 12 months based on the practical expedients adopted by the Group on the application of the standard. Accordingly, there is no impact on the transition date.

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Leases previously classified as finance leases

The Group has no assets that were classified as finance leases under AASB 117, accordingly, there is no impact on the transition date.

Accounting policy from 1 January 2019

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

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

Leases are recognised as right-of-use assets and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost if charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable because the lease is reasonable certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lease exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lease would have to pay to borrow the funds necessary to obtain an asset or similar value in a similar economic environment with similar terms and conditions.

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

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

over the period of the lease.

Financial disclosures AASB 117

Commitments for minimum lease payments in relation to non-cancellable leases within the next 12 months is $0.08 million (31 December 2018: $0.21 million).

(d) Reconciliation of movements of liabilities to cashflows arising from financing activities

USD ('000)	LEASE LIABILITIES	BANK LOANS	CONVERTIBLE NOTES	TOTAL
Balance as at 1 January 2019	**—**	**4,442**	**—**	**4,442**
Proceeds from issue of convertible notes	**—**	**—**	**5,000**	**5,000**
Payment for leases	**(1,182)**	**—**	**—**	**(1,182)**
Repayment of borrowings	**—**	**(4,442)**	**(24)**	**(4,466)**
Changes from financing cashflows	**(1,182)**	**(4,442)**	**4,976**	**(648)**
Effect of changes in foreign exchange rates	**26**	**—**	**—**	**26**
Other changes				
Finance costs	**164**	**339**	**1,250**	**1,753**
Finance costs paid	**(164)**	**(339)**	**—**	**(503)**
Conversion to ordinary shares	**—**	**—**	**(6,199)**	**(6,199)**
Other (payables)/receivables	**—**	**—**	**(27)**	**(27)**
New leases	**4,089**	**—**	**—**	**4,089**
Subtotal other changes	**4,089**	**—**	**(4,976)**	**(887)**
Balance as at 31 December 2019	**2,933**	**—**	**—**	**2,933**

USD ('000)	LEASE LIABILITIES	BANK LOANS	CONVERTIBLE NOTES	TOTAL
Balance as at 1 January 2018	249	6,956	295	7,500
Payment for leases	(249)	—	—	(249)
Repayment of borrowings	—	(2,514)	(295)	(2,809)
Changes from financing cashflows	(249)	(2,514)	(295)	(3,058)
Effect of changes in foreign exchange rates	—			—
Other changes				—
Finance costs	4	645	—	649
Finance costs paid	(4)	(645)	—	(649)
Subtotal other changes	—	—	—	—
Balance as at 31 December 2018	—	4,442	—	4,442

(e) Net debt

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented. Net debt is calculated as cash and cash equivalents and liquid investments less borrowings.

NET DEBT USD ('000)	2019	2018
Cash and liquid investments	**47,017**	4,049
Borrowings — repayable within one year	**(1,393)**	(2,700)
Borrowings — repayable after one year	**(1,540)**	(1,742)
Net debt	**44,084**	(393)

Note 14: Financial risk management

(a) Risk management framework

The Company's Board of Directors have an overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors have established the Audit and Risk Management Committee which is responsible for developing and monitoring the Group's risk management policies. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in the market and the Group's activities. The Group monitors capital with the objective of safeguarding its ability to continue as a going concern and provide return to shareholders. The Group does not have a target debt equity structure and pursuant to the IPO all external borrowings, except those relating to leases under AASB 16 are outstanding on the date of the balance sheet.

(b) Market risk

Market risk is the risk that changes in market prices — such as foreign exchange rates and interest rates — will affect the Group's income or the value of its holdings of financial instruments. The Group uses derivatives to manage market risk related to foreign currencies. All such transactions are carried out within the guidelines of the Group's risk management policies.

(i) Foreign exchange risk

The Group's reporting currency is the US$ and it is exposed to currency risk on accounts receivable and payable denominated in the Australian Dollar (AUD), Euro (EUR) and British Pound (GBP). In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary.

Exposure to foreign currency risk

The summary quantitative data about the Group's exposure to foreign currency risk is as follows:

	2019			2018		
AS AT 31 DECEMBER	AUD'000	EUR'000	GBP'000	AUD'000	EUR'000	GBP'000
Cash and cash equivalents	58,502	557	101	110	217	61
Trade and other receivables	1,452	899	210	2,994	750	276
Trade and other payables	1,646	990	58	415	686	105
Loans and borrowings	—	1,680	—	—	—	—

The cash and cash equivalents in AUD include proceeds from the IPO on 11 December 2019. The loans and borrowings as at 31 December 2019 represent the right to use liabilities in relation to property leases.

Sensitivity analysis

A 10% strengthening or weakening of foreign currencies to US dollar exchange rate would have increased/(decreased) the net assets denominated in foreign currencies by the amounts shown below. This analysis assumes that all other variables, in particular, interest rates, remain constant.

USD ('000)	2019	2018
10% increase	(3,794)	(229)
10% decrease	4,637	280

(ii) Interest rate risk

The Group is exposed to changes in interest rates as it relates to the Company's borrowings and short-term deposits.

Interest rate risk on borrowings

As at 31 December 2019, the Company had no borrowings outstanding as these were repaid during the year.

AS AT 31 DECEMBER USD ('000)	2019	% OF TOTAL BORROWINGS	2018	% OF TOTAL BORROWINGS
Variable rate borrowings	—	—	4,442	100%

The borrowings as at 31 December 2018 relate to variable rate loan from SVB. The interest rate for the year ended 31 December 2018 was 8%.

Interest rate risk on deposits

The Company monitors changes in interest rates regularly to ensure the best possible return on deposits. Changes to interest rates in this context are not considered a significant financial risk.

(iii) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

Impairment of financial assets

The Group has trade receivables and contract assets which are subject to the expected credit loss model.

Cash and cash equivalents

The Group held cash and cash equivalents with banks and financial institution counterparties which are rated, BBB- to AA-, based on Standards & Poors ratings.

Trade receivables and contract assets

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

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to work contracted greater than 12 months and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2018 or 1 January 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables and accordingly adjusts the historical loss rates based on expected changes in these factors.

AGEING – TRADE RECEIVABLES AND CONTRACT ASSETS USD ('000)	2019	LOSS ALLOWANCE	RATE	2018	LOSS ALLOWANCE	RATE
Current	**17,181**	**20**	**0.12%**	2,760	65	0.43%
0 to 30 days overdue	**778**	**4**	**0.52%**	905	21	2.31%
31 to 60 days overdue	**121**	**0**	**0.26%**	62	1	2.37%
61 to 90 days overdue	**124**	**1**	**0.52%**	10	0	2.13%
More than 90 days overdue	**—**	**—**	**—**	—	—	—
Total	**18,204**	**25**	**0.14%**	16,140	87	0.54%

LOSS ALLOWANCE ON TRADE RECEIVABLES AND CONTRACT ASSETS USD ('000)	2019	2018
Loss allowance at the beginning of the year	87	76
(Reversal of)/provision for loss allowance	(41)	—
Write-off	(30)	(3)
Recovery of write-off	9	14
Loss allowance at the end of the year	25	87

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of its cash and funding requirements. The Group continually monitors forecast and actual cash flows and the maturity profiles of assets and liabilities to manage its liquidity risk.

As at 31 December 2019, the Group had no access to borrowing facilities and the borrowings outstanding as at 31 December 2018 had been repaid.

Exposure to liquidity risk

The tables below present the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

MATURITIES OF FINANCIAL LIABILITIES 31 DECEMBER 2019 USD ('000)	12 MONTHS OR LESS	BETWEEN 1 AND 3 YEARS	BETWEEN 3 AND 5 YEARS	TOTAL CONTRACTUAL CASH FLOWS	CARRYING AMOUNT LIABILITIES
Non-derivatives					
Trade and other payables	5,569	—	—	5,569	5,569
Lease Liability	1,393	1,540	—	3,134	2,933
Total non-derivatives	6,962	1,540	—	8,703	8,502
31 DECEMBER 2018 USD ('000)					
Non-derivatives					
Trade and other payables	3,748	—	—	3,748	3,748
Borrowings	2,700	1,742	—	4,442	4,442
Total non-derivatives	5,871	1,742	—	7,613	7,613

Note 15: Employee benefit expense

(a) Employee stock option plans

Awards, in the form of the right to receive ordinary shares in the Company, have been granted under the following employee share ownership plans in the Historical Long-Term Incentive Plan (Historical LTIP) and Current Long-Term Incentive Plan (Current LTIP) Awards under the plans do not confer any rights to participate in a share issue; however, there is discretion under each of the plans to adjust the awards in response to a variation in the share capital of the Company. The table below provides a description of each of the plans.

PLAN	HISTORICAL LTIP	CURRENT LTIP
Type	Long-term incentive	Long term incentive
Overview	The Historical LTIP is a plan for the KMP and all employees of the Group.	The Current LTIP is a plan for executive KMP and senior executives who are not KMP. The number of share rights awarded is determined by a participant's role and grade.
Performance hurdles	There are no performance hurdles other than continuity of service.	Specific event: Completion of the IPO and the Company's fully paid ordinary shares listing on the ASX no later than 31 December 2019. Revenue targets in relation to 2019 and 2020 of US$35.4 million and US$40.5 million respectively are achieved.
Vesting conditions	Service conditions only; Vesting period is between 48 to 60 months; and Have a 10-year contractual life.	Options which have not lapsed will vest and become exercisable on the date on which any vesting conditions applicable to the options have been satisfied (or waived by the Board) or as per the plan rules. The vesting conditions are outlined below. • 33% have no vesting conditions and will be immediately exercisable upon completion of the IPO; • 33.5% are subject to the satisfaction of 2020 revenue performance hurdles (2020 Options); and • 33.5% are subject to the satisfaction of 2021 revenue performance hurdles (2021 Options).
Vesting conditions *continued*	Service conditions only; Vesting period is between 48 months to 60 months; and have a 10-year contractual life.	None of the 2020 options will vest unless the Company's revenue for the period ending 31 December 2019 is equal to or exceeds the forecast revenue for that the same period in the Prospectus; and the proportion of 2021 options that will vest will be determined by reference to the Company's revenue for the period ending 31 December 2021.

PERFORMANCE CONDITION	VESTING CONDITIONS	OBJECTIVE
2020 and 2021 performance hurdle	**PERFORMANCE RELATIVE TO THE FORECAST**	**PERCENTAGE OF OPTIONS VESTING**
	Below the 100th percentile	Nil
	100th percentile	50%
	Greater than the 100th but less than the 120th percentile	50% to 100% on a pro-rata straight-line basis
	Equal to or greater than the 120th percentile	100% of the options will vest

(b) Employee share awards as at 31 December 2019

DATE OF GRANT	DATE OF EXPIRY	EXERCISE PRICE PER OPTION	OUTSTANDING AT THE 1 JAN 2019	GRANTED DURING THE PERIOD	FORFEITED DURING THE PERIOD	EXERCISED DURING THE PERIOD	OUTSTANDING AT 31 DEC 2019	EXERCISABLE AT 31 DEC 2019	REMAINING CONTRACTUAL LIFE (YEARS)
		$0.00	NUMBER OF SHARES						
Historical LTIP									
25 Nov 11	25 Nov 21	AUD 0.20	4,905,900	—	—	—	4,905,900	4,905,900	1.91
2 Dec 11	25 Nov 21	AUD 0.20	1,481,040	—	—	(740,520)	740,520	740,520	1.91
24 Aug 12	30 Aug 22	AUD 0.22	72,000	—	(18,000)	—	54,000	54,000	2.67
30 Nov 13	30 Nov 23	AUD 0.25	139,500	—	—	(49,500)	90,000	90,000	3.92
12 May 14	4 May 24	AUD 0.41	881,190	—	(18,000)	—	863,190	863,190	4.35
17 May 14	4 May 24	AUD 0.41	575,460	—	(575,460)	—	—	—	4.35
28 Feb 15	27 Feb 25	USD 0.30	144,000	—	—	(36,000)	108,000	108,000	5.17
10 Aug 15	9 Aug 25	USD 0.31	283,500	—	(85,500)	(99,000)	99,000	99,000	5.61
29 Nov 15	28 Nov 25	USD 0.31	204,741	—	(20,241)	—	184,500	184,500	5.92
28 Feb 16	28 Feb 26	USD 0.31	1,586,421	—	—	—	1,586,421	1,586,421	6.17
1 May 17	30 Apr 27	USD 0.35	1,980,675	—	(1,139,103)	(3,411)	838,161	602,289	7.34
1 Jan 18	31 Dec 27	USD 0.37	2,304,666	—	(857,313)	(51,345)	1,396,008	765,819	8.01
25 Jul 18	24 Jul 28	USD 0.37	2,816,136	—	(2,567,547)	(7,110)	241,479	109,881	8.57
25 Mar 19	24 Mar 29	USD 0.39	—	3,110,832	(27,000)	(336,240)	2,747,592	874,944	9.24
Current LTIP									
13 Nov 19	11 Dec 29	AUD 1.72	—	2,018,358	—	—	2,018,358	660,090	9.96
			17,375,229	5,129,190	(5,308,164)	(1,323,126)	15,873,129	11,644,554	

The information in relation to the stock option plans above have been adjusted for the impact of 9:1 stock split on 18 November 2019

Employee share awards as at 31 December 2018

DATE OF GRANT	DATE OF EXPIRY	EXERCISE PRICE PER OPTION	OUTSTANDING AT THE 1 JAN 2017	GRANTED DURING THE PERIOD	FORFEITED DURING THE PERIOD	EXERCISED DURING THE PERIOD	OUTSTANDING AT 31 DEC 2018	EXERCISABLE AT 31 DEC 2018	REMAINING CONTRACTUAL LIFE (YEARS)
		$0.00	NUMBER OF SHARES						
Historical LTIP									
25 Nov 11	25 Nov 21	AUD 0.20	5,175,180	—	(22,500)	(246,780)	4,905,900	4,905,900	2.91
2 Dec 11	25 Nov 21	AUD 0.20	1,481,040	—	—	—	1,481,040	1,481,040	2.91
24 Aug 12	30 Aug 22	AUD 0.22	112,500	—	(22,500)	(18,000)	72,000	72,000	3.67
30 Nov 13	30 Nov 23	AUD 0.25	270,000	—	(130,500)	—	139,500	139,500	4.92
12 May 14	4 May 24	AUD 0.41	881,190	—	—	—	881,190	881,190	5.35
28 Feb 15	27 Feb 25	AUD 0.41	575,460	—	—	—	575,460	575,460	6.17
10 Aug 15	9 Aug 25	USD 0.30	176,994	—	(32,994)	—	144,000	142,488	6.61
29 Nov 15	28 Nov 25	USD 0.31	330,750	—	(34,128)	(13,122)	283,500	265,671	6.92
28 Feb 16	28 Nov 25	USD 0.31	457,218	—	(216,477)	(36,000)	204,741	170,964	6.92
1 May 17	30 Apr 27	USD 0.31	1,586,421	—	—	—	1,586,421	1,586,421	8.34
1 Jan 18	31 Dec 27	USD 0.35	2,361,933	—	(338,094)	(43,164)	1,980,675	1,081,989	9.01
1 Jan 18	31 Dec 27	USD 0.37	—	2,702,421	(396,819)	(936)	2,304,666	624,015	9.01
25 Jul 18	24 Jul 28	USD 0.37	—	2,817,936	(1,800)	—	2,816,136	18,882	9.57
			13,408,686	5,520,357	(1,195,812)	(358,002)	17,375,229	11,945,520	

The information in relation to the stock option plans above have been adjusted for the impact of 9:1 stock split on 18 November 2019.

(c) Fair value and assumptions in the calculation of fair value for awards issued

EMPLOYEE STOCK OPTIONS	DATE OF GRANT	DATE OF EXPIRY	EXERCISE PRICE	FAIR VALUE AT GRANT DATE	EXPECTED PRICE VOLATILITY %	DIVIDEND YIELD%	RISK FREE RATE	REMAINING CONTRACTUAL LIFE (YEARS)
2019	25 Mar 19	24 Mar 29	**USD 0.39**	**USD 0.21**	**60%**	**0%**	**1.3%**	**9.24**
2019	13 Nov 19	11 Dec 29	**AUD 1.72**	**AUD 0.69**	**42%**	**0%**	**1.0%**	**9.96**

EMPLOYEE STOCK OPTIONS	DATE OF GRANT	DATE OF EXPIRY	EXERCISE PRICE	FAIR VALUE AT GRANT DATE	EXPECTED PRICE VOLATILITY %	DIVIDEND YIELD%	RISK FREE RATE	REMAINING CONTRACTUAL LIFE (YEARS)
2018	1 Jan 18	31 Dec 27	USD 0.37	USD 0.21	60%	0%	2.7%	9.01
2019	25 Jul 18	24 Jul 28	USD 0.37	USD 0.22	60%	0%	3.1%	9.57

During the year ended 31 December 2019, the Group has recognised US$0.84 million (31 December 2018: US$0.56 million) as share-based payment expense. The difference in the expected price volatility for the options granted in 2019 is on account of the change in the Company's profile from a private company to a public listed company. The determination of the volatility included benchmarking with peer group of companies.

(d) Recognition and measurement

The fair value at grant date of equity-settled share awards is expensed over the vesting period of the awards. The fair values of awards granted were estimated using a Black-Scholes option pricing technique and consider the following factors:

- exercise price;
- expected life of the award;
- current market price of the underlying shares;
- expected volatility using an analysis of historic volatility over different rolling periods;
- expected dividends;
- risk-free interest rate, which is an applicable government bond rate.

The above inputs used in the measurement of share based payments expense include Level 1 and Level 2 inputs as per the fair value hierarchy under AASB 13 Fair value measurements:

- such as quoted prices (unadjusted) in active markets and
- inputs other than quoted prices included within level 1 that are observable for either directly (as prices) or indirectly (derived from prices), respectively.

Where awards are forfeited because non-market-based vesting conditions are not satisfied, the expense previously recognised is proportionately reversed.

(e) Key management personnel:

Key management personnel compensation comprises remuneration paid/payable to the board of directors and other senior executives identified as KMP:

USD ('000)	2019	2018
Short term employee benefits	**1,508**	830
Post-employment benefits	**4**	—
Share-based payments	**656**	56
Others	**160**	90
Employee benefit expenses	**2,328**	976

Transactions and balances with key management personnel

During the year ended 31 December 2019 and as at that date, an amount aggregating $0.12 million (31 December 2018: $nil) on 11 December 2019. These amounts were repaid on 9 January 2020 was receivable from one KMP in relation to exercise of share options vested and exercised.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

During the year ended 31 December 2019, loans provided to KMP in order to exercise share options under the Historical LTIP outstanding as at 31 December 2018 aggregating $0.02 million were repaid in September 2019.

Transactions with related entities

A number of Directors of the Group hold or have held positions in other companies (personally related entities) where it is considered they control or significantly influence the financial or operating policies of those entities. There were no reportable transactions with those entities and no amounts were owed by or owed to the Group to/by personally related entities at 31 December 2019 (31 December 2018: $nil).

For more information on remuneration and transactions with key management personnel, refer the remuneration report on page 40 of the annual report.

Accounting policy

Short-term and other long-term employee benefit obligations

Liabilities for annual leave and any accumulating sick leave accrued up until the reporting date that are expected to be settled within 12 months are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for long service leave are measured as the present value of estimated future payments for the services provided by employees up to the reporting date and disclosed within employee benefits. Liabilities that are not expected to be settled within 12 months are not discounted as the impact of the same is immaterial. Liabilities for unpaid wages and salaries are recognised in trade and other payables.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

Note 16: Auditors' remuneration

During the year the following fees were paid for services provided by the Group's auditors, PricewaterhouseCoopers (PwC) Australia, and its network firms:

	PwC Australia		Network firms of PwC Australia		Total	
USD ('000)	2019	2018	2019	2018	2019	2018
Assurance services						
Audit and review of financial statements	**238**	137	**22**	21	**260**	158
Other assurance services[1]	**635**	19	**—**	—	**635**	19
Total assurance services	**873**	156	**22**	21	**895**	177
Non-assurance services						
Tax compliance services	**37**	16	**41**	6	**78**	22
Total non-assurance services	**37**	16	**41**	6	**78**	22
Total remuneration	**909**	193	**63**	6	**972**	199

1. Other assurance services for the year ended 31 December 2019 relates to IPO-related activities.

Note 17: Parent entity information

Accounting policy

The financial information for the parent entity, Nitro Software Ltd, has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the consolidated financial statements of Nitro Software Ltd. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

Share-based payments

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

USD ('000)	2019	2018
Result of the parent entity		
(Loss)/profit for the year	**(3,555)**	56
Total comprehensive (loss)/profit for the year	**(3,555)**	56
Financial position of the parent entity as at 31 December		
Current assets	**55,736**	10,434
Total assets	**89,453**	44,111
Current liabilities	**1,108**	273
Total liabilities	**1,498**	292
Net assets	**87,955**	43,819
Contributed equity	**90,209**	42,555
Reserves	**(4,101)**	(4,138)
Accumulated losses	**1,847**	5,402
Total equity	**87,955**	43,819

Note 18: Commitments and contingencies

The Group had no contingent liabilities as at 31 December 2019 (31 December 2018: Nil). The Group has no significant commitments as at 31 December 2019 other than those disclosed in note 13(c).

Note 19: Subsequent events

The declaration of the COVID-19 pandemic after the date of the balance sheet does not provide additional evidence of conditions that existed as at 31 December 2019, where only a few cases of an unknown virus were reported to the World Health Organisation. Further, there were no other subsequent events after the date of the balance sheet that would have an impact on the financial statements as at 31 December 2019.

Subsequent to balance date the following changes were effective 31 March 2020 – Appointment of Kurt Johnson to Executive Director, resignation of Richard Wenzel from his position of SVP Tax & Treasury and continuation as a Non-Independent Non-Executive Director and resignation of Kathleen Miller from her position of Chief Financial Officer and Co-Company Secretary.

Directors’ Declaration

In the directors’ opinion:

a. the consolidated financial statements and notes as set out on pages 44 to 75 and the Remuneration report on pages 27 to 42 forming part of the Directors’ report, are in accordance with the *Corporations Act 2001* including:

    i. giving a true and fair view of the Group’s financial position as at 31 December 2019 and of its performance for the financial year ended on that date; and

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

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

c. The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001* for the year ended 31 December 2019.

d. The directors draw attention to Note 2(a) to the consolidated financial statements on page 48 which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Kurt Johnson
Chair
31 March 2020

Sam Chandler
Executive Director, Founder and CEO
31 March 2020

Independent Auditor's Report

Independent auditor's report

To the members of Nitro Software Limited

Report on the audit of the financial report

Our opinion

In our opinion:

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 31 December 2019
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

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

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

Independence

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

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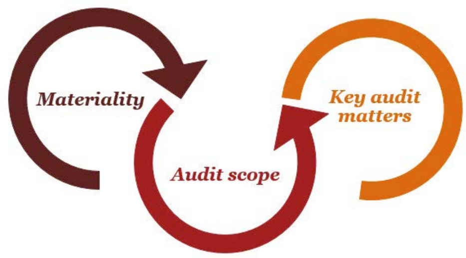
Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality	*Audit scope*	*Key audit matters*
• For the purpose of our audit we used overall Group materiality of $0.36 million, which represents approximately 1% of the Group's total revenue. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose Group revenue because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. • We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events; as well as on specific matters that arose as a result of the Group's initial public offering. • The Group operates across Australia, USA & Europe. Acting under our instructions, component auditors performed an audit of specific financial information of Nitro Software EMEA Limited. The remaining audit procedures were performed by us.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Revenue recognition – Share-based payments – Lease accounting and adoption of new accounting standard AASB 16 Leases • These are further described in the *Key audit matters* section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	*How our audit addressed the key audit matter*
Revenue recognition *(Refer to note 4) [$35.7 million]* Revenue recognition is a key audit matter due to: - the significance of revenue to the Group's financial results - the extent of deferred revenue and contract assets recognised by the Group and the related revenue recognition during the year - the level of judgement applied in the key assumptions used to capitalise and subsequently amortise contract acquisition costs.	We performed the following procedures, amongst others: - developed an understanding of the process undertaken by the Group to recognise revenue from the sale of perpetual licenses and subscriptions, including factors influencing whether the revenue is recognised on principal or agency basis - testing the operating effectiveness of key controls over the cash allocation process to allocate cash receipts to the appropriate invoice/customer - performed risk-based targeted procedures over revenue transactions and agreed a sample to supporting documents - used data assurance software to analyse revenue transactions - recalculated the impact of revenue recognition on the deferred revenue balance by testing a sample of contracts - obtained the contract acquisition cost calculation, performed mathematical accuracy checks, and assessed the reasonableness of the estimate of the useful life and amortisation in light of the latest available information of contract periods and renewals - evaluated the adequacy of the disclosures made in Note 4 in light of the requirements of Australian Accounting Standards.

Independent Auditor's Report

Key audit matter	*How our audit addressed the key audit matter*
Share-based payments *(Refer to note 15) [$0.84 million]* Alongside its existing short term and long-term incentive plans, the Group approved a new long-term incentive plan during the year ended 31 December 2019. As such, the Group recognised share-based payment expenditure of $0.84 million during the year relating to options granted over shares that vested upon completion of the Group's initial public offering. This was a key audit matter due to the judgement in the key assumptions and estimates used in determining the fair value of the share-based payment expense.	We performed the following procedures amongst others: - developed an understanding of the nature of the incentive schemes - read the terms and conditions of the various incentive plan agreements - evaluated the Group's assessment of the likelihood of meeting the vesting conditions attached to each of the agreements - assessed the Group's methodology for calculating the fair value of share options, and agreed the valuation inputs to supporting documents including external data and employee offer letters - evaluated the adequacy of the disclosures made in Note 15 in light of the requirements of Australian Accounting Standards.
Lease accounting and adoption of new accounting standard AASB 16 Leases *(Refer to note 13c) [$3.1 million]* The Group adopted Australian Accounting Standard AASB 16 Leases (AASB 16) as at 31 December 2019. The new policy and related transition impact are disclosed in Note 13. This was a key audit matter due to the: - significance of the impact on transition to the financial report - judgement involved in applying the new AASB 16 requirements to determine an incremental borrowing rate to discount lease payments.	We performed the following procedures amongst others: - assessed whether the Group's new accounting policies are in accordance with the requirements of AASB 16. For all lease agreements we: - evaluated the lease calculations against the terms of the lease agreement and the requirements of Australian Accounting Standards - assessed the incremental borrowing rates applied to the lease calculations against external quotes from lenders in close proximity to the lease commencement dates - tested the mathematical accuracy of the lease calculations - evaluated the adequacy of the disclosures made in Note 13 in light of the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2019 but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Independent Auditor's Report

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 27 to 42 of the directors' report for the year ended 31 December 2019.

In our opinion, the remuneration report of Nitro Software Limited for the year ended 31 December 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Niamh Hussey

Niamh Hussey
Partner

Melbourne
31 March 2020

Shareholder Information

for the year ended 31 December 2019

Additional information

As required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 29 February 2020.

Distribution of ordinary shares:

RANGE	TOTAL HOLDERS	SHARES	% SHARES
1 – 1,000	832	484,775	0.25
1,001 – 5,000	777	1,965,682	1.04
5,001 – 10,000	300	2,277,045	1.20
10,001 – 100,000	413	10,098,649	5.34
100,001 and over	74	174,440,678	92.17
Total	2,396	189,266,829	100.00

The number of shareholders holding less than a marketable parcel of ordinary shares is 99 aggregating 26,197 shares. The minimum parcel size is 299 shares based on a share price of AU$1.6750 per share.

Substantial shareholders

The following have disclosed a substantial shareholder notice in the period to 29 February 2020:

SUBSTANTIAL HOLDER	NUMBER OF ORDINARY SHARES IN WHICH THE HOLDERS (OR THEIR ASSOCIATES) HAVE A RELEVANT INTEREST	% OF VOTING POWER	DATE OF INTEREST NOTICE
Sam Chandler	9,191,880	4.87	13-Dec-19
Richard Wenzel	9,650,188	5.11	13-Dec-19
Starfish Technology Fund II, LP	26,309,432	13.92	13-Dec-19
Battery Ventures	24,872,515	13.16	13-Dec-19
Regal Funds Management Pty Ltd	14,576,389	7.72	13-Dec-19
Australian Ethical Investment Limited	9,525,819	5.04	5-Feb-20

Unlisted employee share options

As at 29 February 2020, there were a total of 15,463,1880 unlisted share options on issue.

RANGE	SHARE OPTIONS	% OF TOTAL	TOTAL HOLDERS
1 – 1,000	1,962	0.01	2
1,001 – 5,000	76,509	0.49	20
5,001 – 10,000	74,475	0.48	9
10,001 – 100,000	1,834,056	11.86	57
100,001 and over	13,476,186	87.15	15
Total	15,463,188	100.00	103

Voting rights:

Ordinary shares:

Refer note 12(a) to the financial statements on page 62 for details.

Employee share options

There are no voting rights attached to the employee share options.

Shareholder Information

for the year ended 31 December 2019

On-market buy-back

There is no current on-market buy-back of shares.

Securities subject to voluntary escrow

The details of shares subject to voluntary escrow are as follows:

DATE ESCROW PERIOD ENDS	NUMBER OF SHARES
11 June 2020	**20,331,503**
Refer Note 1	**74,809,154**
Total	**95,140,657**

Note 1: All shares will remain in escrow until the Company releases the full year financial results for the year ended 31 December 2020, except 16,966,009 shares which are subject to early release conditions, which are as follows:

- the 2020 half year results to 30 June 2020 first having been released to the ASX, and;
- the volume-weighted average price (VWAP) in any 10 consecutive trading days following release of those financial results exceeds the IPO Offer price by more than 20%.

The Company has 12,030,971 unlisted options that are in escrow until the Company releases the full year financial results for the year ended 31 December 2020.

Twenty largest shareholders

	NAME	SHARES	% OF SHARES
1	STARFISH TECHNOLOGY FUND II LP	26,076,463	13.78
2	BATTERY VENTURES X LP\C	24,623,794	13.01
3	NATIONAL NOMINEES LIMITED	20,171,289	10.66
4	VISTRA TRUST (SINGAPORE) PTE LIMITED <IS&P SINGAPORE RET FUND A/C>	12,954,988	6.84
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,856,174	3.62
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED — A/C 2	6,760,011	3.57
7	RICHARD CROCKER	5,788,666	3.06
8	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	5,454,189	2.88
9	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	5,233,145	2.76
10	UBS NOMINEES PTY LTD	5,154,228	2.72
11	REGAL FUNDS MANAGEMENT PTY LTD <REGAL EMERGING COMP FUND A/C>	4,198,014	2.22
12	SAM CHANDLER	3,830,400	2.02
13	CITICORP NOMINEES PTY LIMITED	3,727,460	1.97
14	CHRIS DAHL	3,354,252	1.77
15	VENTURIAN PTY LTD <MAVERICK INNOVATION A/C>	3,132,203	1.65
16	M&S SKYLEISURE PTY LTD <M&S SKYLEISURE NO 1 A/C>	2,836,624	1.50
17	GLENEAGLE ASSET MANAGEMENT LTD <ALIUM ALPHA FUND A/C>	2,030,000	1.07
18	CRAIG CHANDLER + DI CHANDLER <JENSEN-SCOT SUPER FUND A/C>	1,992,375	1.05
19	BUTTERSS RESOURCES PTY LTD <PETER BUTTERSS A/C>	1,822,860	0.96
20	FROSTHEATH PTY LIMITED <THE AB 2004 FAMILY A/C>	1,768,961	0.93
Total		**147,766,096**	**78.07**

Appendix 1


Consulting Agreement
1 / 3 fields
CONSULTING AGREEMENT
My Signatures
Adam Samuels
Confirm
Clear
Sign

Appendix 1

SaaS metrics

Nitro uses certain information, measures and ratios to manage and report on performance which are prepared on a basis that is not in accordance with all relevant accounting standards ('Non-Statutory Information'). This Non-Statutory Information may exclude certain transactions, or present transactions or balances on a different recognition and measurement basis from that required or permitted by accounting standards. These measures do not have prescribed definitions and therefore may not be directly comparable to similarly titled measures presented by other entities.

Annual Recurring Revenue ('ARR') is the annual amount of revenue the Group will recognise from subscription-based licencing agreements with customers who have entered into multi-year agreements for the right to access the Group's software. The typical subscription contract length is three years. ARR represents the annual value of subscription revenue under such contracts. Nitro's multi-year subscription-based licencing contracts provide visibility into revenue in future periods due to the recurring nature of those revenue streams. ARR is calculated by multiplying the monthly subscription revenue in the last month of the financial reporting period by 12;

New ARR added measures the incremental ARR added during a financial reporting period. The growth in ARR provides additional predictability and visibility into future revenue for the Group. New ARR added is calculated by subtracting the total monthly subscription revenue in the last month of the last prior reporting period from the total monthly subscription revenue in the last month of the current financial reporting period, multiplied by 12;

Net Revenue Retention ('NRR') is the revenue generated in the current financial reporting period from subscription customers who were using the Group's software in the prior financial reporting period, net of churn. NRR measures the incremental recurring revenue the Company generates from its existing subscription customers as they expand their usage of the Group's solutions, which may be a result of adding additional licences within their organisation, or by expanding usage into new areas of their organisation that previously did not use Nitro's solution. NRR greater than 100% is a potential indicator of customer satisfaction, and implies that customers are expanding their use of the Group's software solutions over time. NRR is calculated by dividing the subscription and maintenance ARR from subscription customers in the last month of the period, by the subscription and maintenance ARR from the same cohort of subscription customers over the same period in the prior year;

Customer retention rate is the percentage of customers that renew their subscription agreements at the expiration of their current contact term as measured on an annual contract value basis. The Group believes customer retention rates can be indicative of customer satisfaction with Nitro's software solutions and customer service. The inverse of the customer retention rate is commonly referred to as customer churn;

Quota carrying sales representatives are the number of sales representatives that are directly engaged in the sales process;

Lifetime Value/Customer Acquisition Cost ('LTV/CAC') measures the ratio of 'lifetime value' per customer to 'customer acquisition cost'. The LTV/CAC ratio compares the value of a customer over their lifetime, compared to the cost of acquiring them.

LTV/CAC is calculated as follows:

- LTV = (new bookings/number of new customers)/(1 — customer retention rate); and
- CAC = (selling expense + direct marketing expense + marketing personnel expense)/number of new customers;

Gross profit is revenue less cost of sales. Gross profit represents the amount the Company is able to retain after paying the cost directly associated with the sales of its products. Gross margin is gross profit expressed as a percentage of total revenue;

EBITDA before share-based payments is earnings before share-based payments, interest, taxation, depreciation and amortisation. Nitro uses EBITDA before share-based payments to evaluate the operating performance of the Company without the non-cash impact of depreciation and amortisation, and before share-based compensation, interest and taxation;

EBITDA is earnings before interest, taxation, depreciation and amortisation. Nitro uses EBITDA to evaluate the operating performance of the Company without the non-cash impact of depreciation and amortisation, and interest and taxation;

EBITDA should not be considered as an alternative to measures of cash flow under AASB and investors should not consider EBITDA in isolation from, or as a substitute for, an analysis of the results of Nitro's operations.

Although the Directors believe that these measures provide useful information about Nitro's financial performance, they should be considered as supplements to the measures that have been presented in accordance with the AASB's and IFRS and not as a replacement for them. Because Non-Statutory Information is not based on AASB's, IFRS, or any other recognised body of accounting standards, it does not have prescribed definitions, and the way Nitro calculates these measures may differ from similarly titled measures used by other companies. Investors should therefore not place undue reliance on Non-Statutory Information.

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Website

https://ir.gonitro.com/Investor-Centre/

Nitro Software Limited