Appendix 4E

Company setails

NAME OF THE ENTITY	NITRO SOFTWARE LIMITED
ACN	079 215 419
REPORTING PERIOD	FOR THE YEAR ENDED 31 DECEMBER 2020
PREVIOUS PERIOD	FOR THE YEAR ENDED 31 DECEMBER 2019

Results for announcement to the market

FOR THE YEAR ENDED 31 DECEMBER	2020 US$'000	2019 US$'000	MOVEMENT US$'000	MOVEMENT %
Revenue	**40,196**	35,672	4,524	13%
Loss from ordinary activities after tax attributable to members	**(7,540)**	(7,931)	391	-5%
Loss attributable to members	**(7,540)**	(7,931)	391	-5%

The detailed analysis of the results is included in the Operating and Financial Review for the period on page 24 of the Annual Report.

Net tangible assets per ordinary share

FOR THE YEAR ENDED 31 DECEMBER	2020 US$	2019 US$
Net tangible assets	0.14	0.16

Dividends

No dividends were declared or paid for the year ended 31 December 2020.

Details of entities over which control has been gained or lost during the year

The Company has not gained or lost control of any entities during the year.

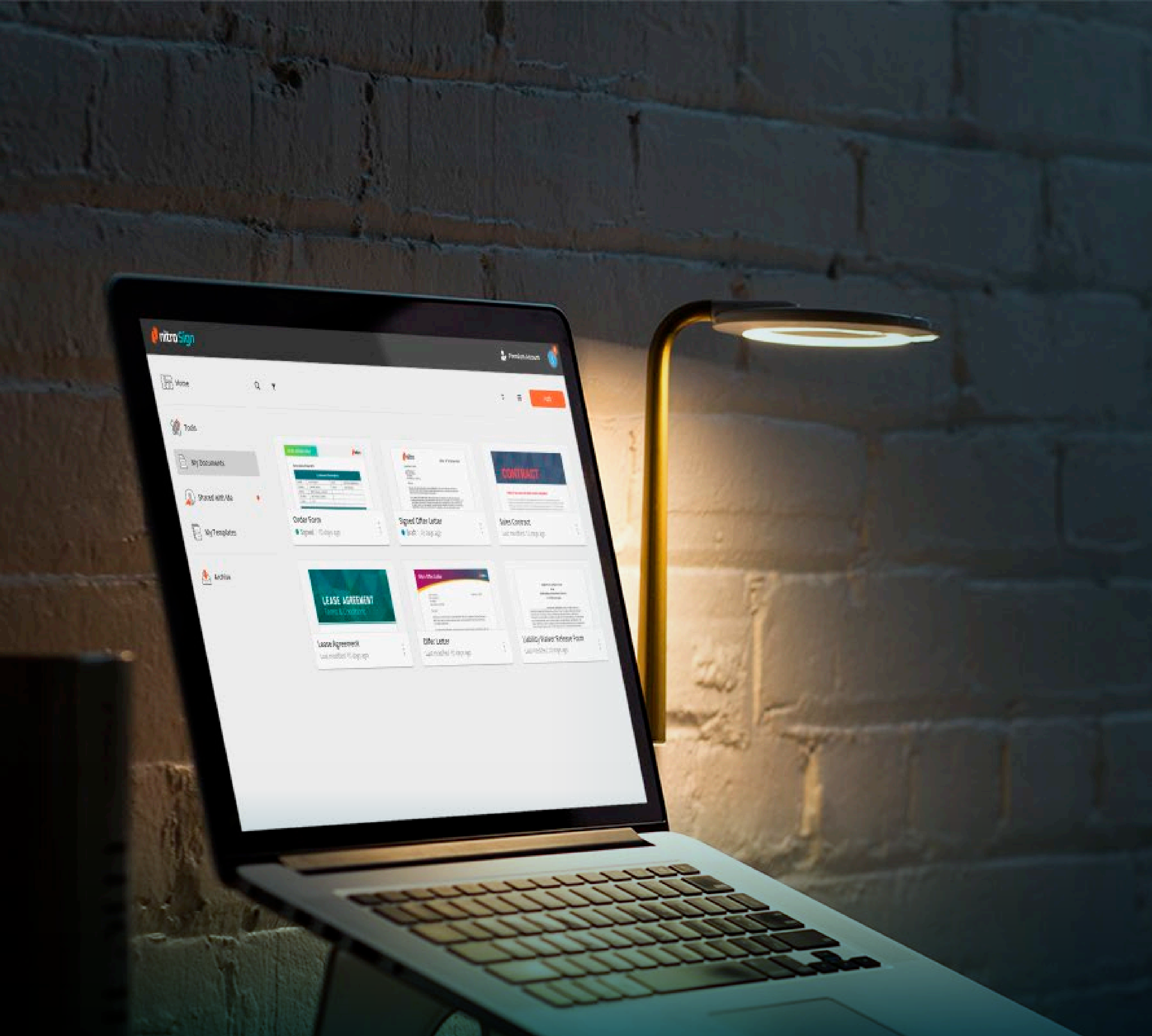
Basis of preparation and audit status

This report is based on the Consolidated Financial Statements of Nitro Software Limited, which have been audited by PricewaterhouseCoopers ('PwC'). PwC's audit report is included within the Group's 2020 Annual Report which accompanies this Appendix 4E.

Other information requiring disclosure to comply with Listing Rule 4.3A is contained in the 2020 Annual Report (which includes the Directors' Report).

2020 Annual Report

For the year ended 31 December 2020



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Performance Highlights FY2020

Key operating and financial metrics ($US unless otherwise stated)

$27.7 million
Ending ARR

ARR growth
64%

$40.2 million
Revenue

Subscription revenue growth **61%**

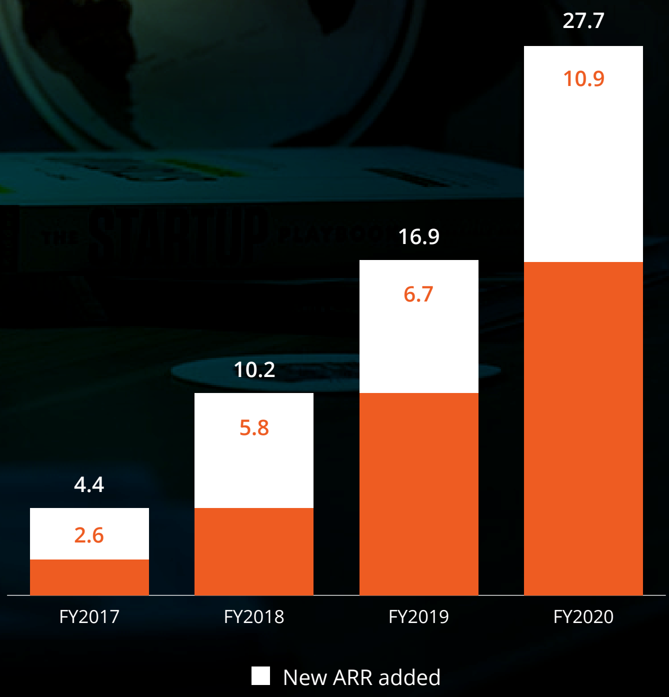
85%
Subscription retention rate

117%
Net revenue retention

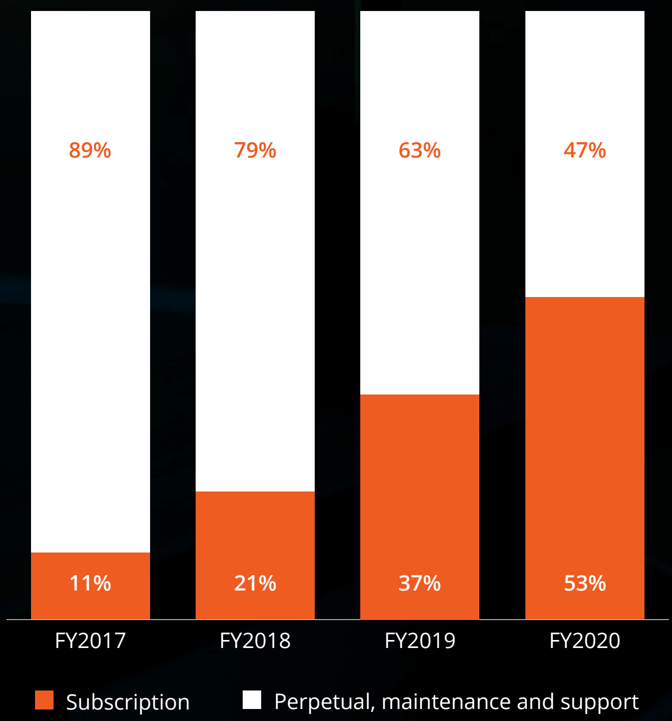
($2.4 million)
Operating EBITDA[1]

$43.7 million
Ending cash balance

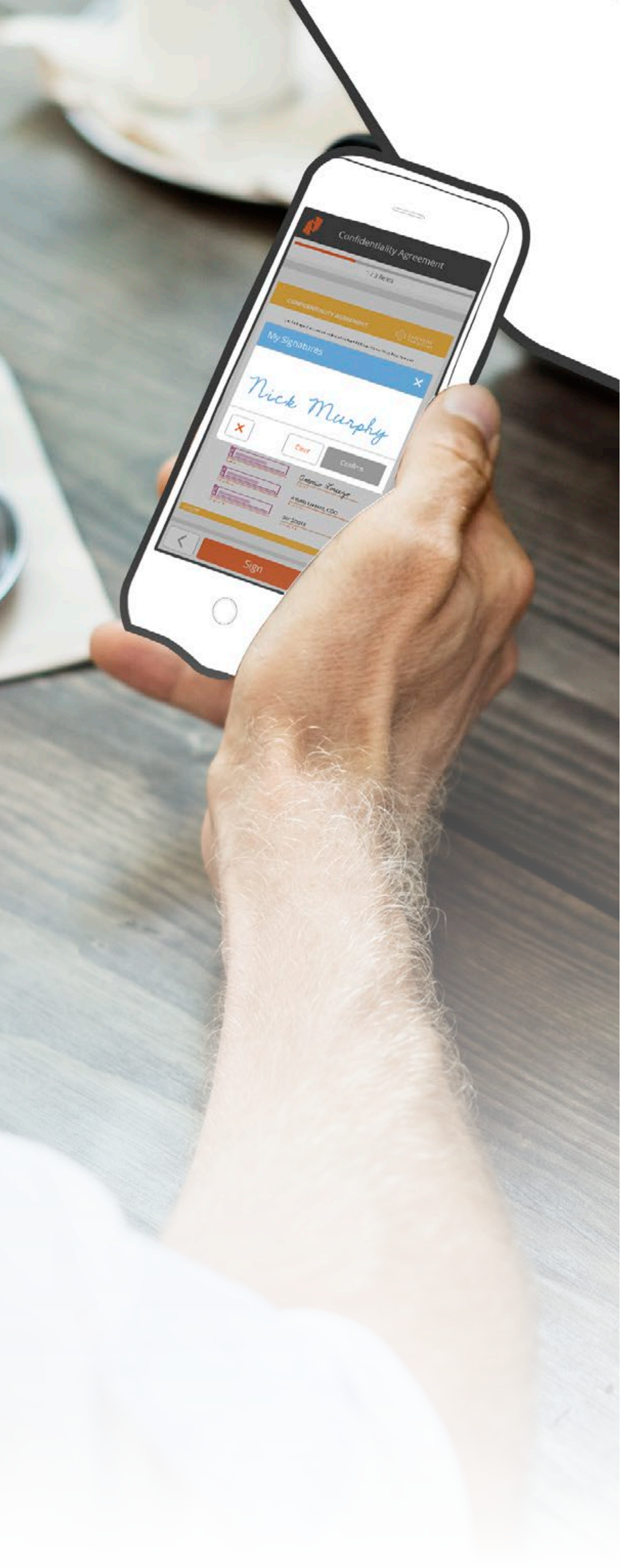
ARR scaling ($ million)



Revenue composition ($ million)



1. Operating EBITDA excludes share based payments and foreign exchange gains and losses.



Chairman's Letter to the Shareholders

Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present Nitro's full-year results and Annual Report. When I wrote to you last year, the world was waking up to the threat of the COVID-19 pandemic. None of us could predict what the year would bring, and few were able to foresee the scale of the human and economic devastation that would be wrought by the virus. At Nitro, our immediate focus was the health and safety of Nitronauts around the world while providing continuous support to our customers during a time of great uncertainty. What soon became clear, however, was that the virus would trigger a dramatic shift in the way people work and, particularly, in the way they handle documents.

Nitro had a front row seat to these immediate and enduring changes. As the world adjusted to remote working, productivity and processes anywhere, anytime have become the new normal. Changes that would have taken years, were compressed into weeks. Organisations were required to harness the potential of digital workflow and collaboration tools to continue operating efficiently. Paper-based processes were no longer an option. And, for many, the Nitro Productivity Suite – with its ability to improve productivity by making it more efficient to create, convert, share, sign, and collaborate on documents digitally – was a critical part of the solution. Nitro is proud of its work supporting existing and new customers through this highly disruptive period and beyond.

2020 performance

For Nitro, what started out as a year of uncertainty became a year of significant achievement – one in which we kept our people safe, exceeded our financial plan, and laid the foundations to be a leader in accelerated digital transformation. Once again, we met or exceeded our IPO prospectus numbers, with 2020 ARR, subscription revenue and cash receipts all ahead of forecasts. We have now sold more than 2.6 million licenses to numerous customers, including 11,700 business customers, in 154 countries, including more than 68 per cent of Fortune 500 companies. We launched Nitro Sign as a stand-alone product in June and have already executed more than 1 million eSignature requests. With a robust balance sheet, supported by $43.7 million in cash at year end, we have all the ingredients to meet our ambitious growth targets.

Our strategic investments in 2020 laid the foundation for greater scale and enhanced capabilities in driving even more impactful solutions for our customers in 2021 and beyond.

Our team

Our people are our number one asset. Our success is built on the back of their passion, talent, and commitment. We welcomed more than 50 people to our global team in 2020 and now have 180 Nitronauts in San Francisco, Dublin, Melbourne, and London – many working remotely. We have significantly deepened our leadership bench strength, with the appointments of a new Chief Financial Officer, Chief Marketing Officer and Chief Product Officer, as well as added talent recruited at VP and Director level in critical areas of the business, including revenue operations, design and user experience, product marketing, and more. We are deliberately scaling up to drive even stronger growth in the years to come. We are also supported by a network of channel partners and resellers around the globe.

On behalf of the Board, I would like to thank all Nitronauts for their extraordinary dedication, determination, and adaptability. In a period of significant change, you not only adjusted to new ways of working, you delivered another year of fantastic results.

Outlook

Our mission is clear: to help our customers more efficiently and effectively manage their business processes and to accelerate their digital transformation in a world that demands the ability to work from anywhere, anytime. With a majority of Fortune 500 companies as customers, and more signing up every month, we have proven success in delivering outcomes. Our targeted investments in building scale and capabilities in the coming year underpin our ambition to become a genuine leader in our continuously expanding productivity and workflow market – worth $28 billion and growing – and, in the process, deliver long-term sustainable returns to our shareholders.

Over the coming year, Nitro will continue to focus on executing its growth strategy through attracting new customers to Nitro's productivity software platform, as well as through the increased adoption of the Nitro Productivity Suite and Nitro Sign across its enterprise, mid-market and SMB customer base.

On behalf of the Board, I would like to thank our shareholders for sharing this exciting journey with us. We look forward to updating you on our further success throughout the year.

Sincerely yours,

Kurt Johnson
Chairman
Nitro Software Limited

CEO's Letter to the Shareholders

In a year marked by the global challenge of COVID-19, we have stayed resolutely focused on meeting our customers' rapidly evolving needs and building a platform for future growth.

Dear Shareholders,

Against a backdrop of significant global upheaval caused by COVID-19, Nitro remained steadfastly focused on executing our business priorities and growth strategy throughout 2020. This was the year in which we built a solid foundation for future growth. We strengthened our leadership team, we supercharged our go-to-market strategy, we furthered our Document Productivity Platform vision with the launch of Nitro Sign, and we continued our transition to a SaaS subscription license business, which is now nearing completion. Above all, we continued to meet the rapidly evolving needs of our customers as they adjusted to this new world of remote working. By demonstrating the benefits of enhanced workflow productivity through our suite of products, we were able to secure major new enterprise contracts and achieve best-in-class customer retention rates of 85 per cent and customer satisfaction scores of 94 per cent. This is a testament to the grit and dedication of our talented team of Nitronauts.

Key highlights for 2020

- Ending ARR of $27.7 million, up 64% YoY and ahead of prospectus forecast;
- $40.2 million total revenue, in line with prospectus forecast;
- Subscription revenue of $21.2 million, up 61% YoY;
- Subscription revenues now 53% of total revenue;
- 117% net revenue retention;
- $43.7million in cash, $5.8 million ahead of prospectus forecast;
- Helping customers maintain and accelerate business during COVID-19; and
- More than 1 million eSignatures sent via Nitro Sign in 2020.

Vision & opportunities ahead

Our founding vision is to make document productivity easy, powerful, and available to all. With the changes brought by COVID-19, the journey of digital transformation has never been more relevant or more urgent for organisations. Simply put, the future of work demands it – and Nitro can deliver it. In 2020, we laid the foundations for our growth strategy. In 2021, we will continue to build upon these foundations by investing in the world's first Document Productivity Platform. Across the business, we are scaling up and expanding our capabilities and offerings to help customers on their journey from digitisation to optimisation, and, ultimately, transformation across their entire organisation. Our platform product strategy and roadmap are designed to mirror this journey, ensuring we are standing by customers every step of the way.

While our total addressable market is growing rapidly, with remote work and digitisation tailwinds, Nitro has multiple levers of growth it can pull:

- Expansion with existing customers, including providing additional products and services;
- Winning new customers, with an 85 per cent product pilot win rate;
- New product development, with several important launches planned for 2021;
- Carefully considered mergers and acquisitions to add scale and/or capabilities; and
- Expansion into new markets and channels.

Like everyone at Nitro, I am immensely proud of our achievements in 2020 and excited about our potential in the years ahead.

Sincerely yours,

Sam Chandler
Co-Founder and CEO
Nitro Software Limited


eSign
Changes Ahead
QuickSign with Nitro Pro

Transforming the way the world works

Nitro's founding vision – to make document productivity easy, powerful and available to all – has never been more relevant or more urgent. COVID-19 has forever changed the way the world works, and our market-leading platform of products is helping organisations thrive in this new normal.

68%

OF THE

Fortune 500

ARE NITRO CUSTOMERS[1]

1. Percentage of the 2019 Fortune 500 with paid Nitro licences.

Our vision

Why we do what we do

When we founded Nitro in a Melbourne laneway in 2005, we had a simple vision: we wanted to make document productivity easy, powerful, and available to all. Today, Nitro serves millions of users every month, counts tens of thousands of businesses, government agencies and educational institutions as its customers, and has been deployed at scale throughout some of the world's largest and best-known organisations.

But the journey is only beginning. The challenges we identified in 2005, and that we set out to address, are still unresolved:

- Document inefficiency is everywhere;
- Customers can do better than their legacy solutions and vendors; and
- Document productivity must evolve to be digital and smart.

COVID-19 – and the way it has forever changed how the world works – has shone an uncomfortable spotlight on these challenges and added urgency for organisations to address their document productivity processes.

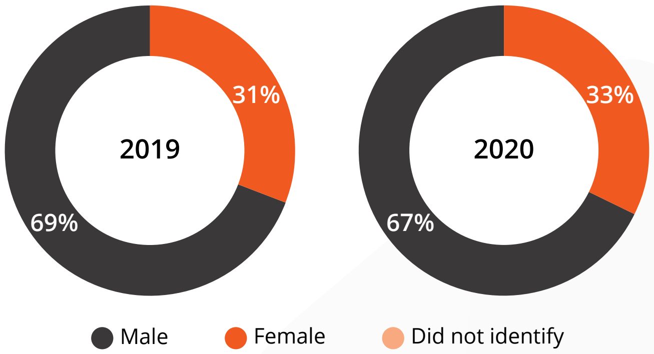
At Nitro, we are building the first global Document Productivity Platform to help customers drive better business outcomes through enhanced digital document processes and workflows across the entire organisation.

We envision a world of end-to-end digital document workflows, the final consignment of paper forms and signatures to history, delightful product experiences for daily document tasks, and powerful productivity for everyone.

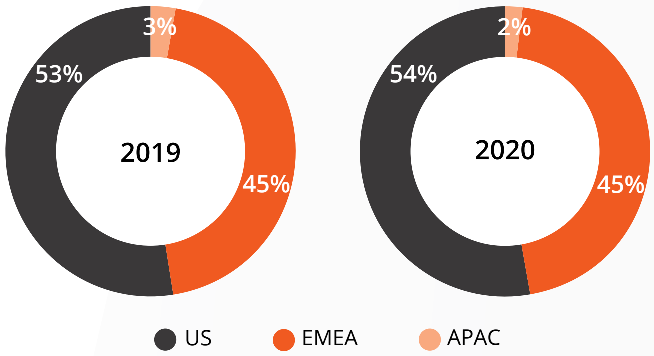
Values that drive our success

We know that our success is only as good as the people behind it, and we are committed to building a culture that not only engages our Nitronauts but encourages them to innovate and grow. Together, we push each other as professionals, inspire each other as individuals, and support each other as friends. Nitro has always put people at the center of what it does, whether it is our customers or our employees. It comes back to one of our core values: be good. Today, our 180-strong team around the world 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 incredibly rewarding, making everyone proud to be part of Nitro.

Nitronaut diversity



Organisation by region



Remarkable partnerships

Commitment to customer success is not 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. Our promise to our customers is simple: to help organisations of all sizes eliminate paper, accelerate business processes, and drive digital transformation.

We started by helping individuals and small businesses do more with their documents, and today we are helping drive digital transformation at some of the largest companies in the world. Nitro now has more than 11,700 customers across 154 countries. The more important numbers to us, however, are our best-in-class customer net revenue retention rate of 117 per cent, net promoter score of 67, and customer satisfaction rate of 94 per cent. These figures, built on the quality of our products, service and team, underpin our confidence for the future.

Throughout 2020 and into 2021, we have been sharpening our go-to-market strategy to ensure continued excellence in customer acquisition and retention. We have actively recruited talent, with a focus on sales role specialisation, customer segmentation, and support throughout a customer's lifecycle. We strive to be a world-class SaaS business with sales, support, and service to match.

Our solutions

Digital transformation is more urgent than ever

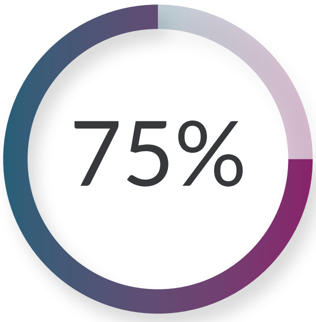
Many documents are not just a document; they are essential to a workflow, process, business outcome or critical KPI. Nobody, for example, would doubt the importance of a document recording accounts opened, deals closed, days to sale, compliance rates, or data assurance.

Our research confirms that PDFs are still the most common document type in every business, which means PDF productivity remains one of the first places to look for immediate impact and scale.

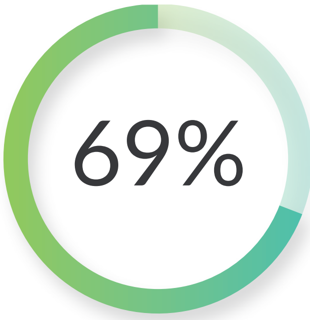
But what is remarkable and what has been exposed by COVID-19, is how many documents are still handled in paper form. Even if parts of a workflow are digital, paper-based processes are still common. They are slower, more costly, have inherent security liabilities, and often require people to work in the same location.

Overall, current document workflows remain less efficient, outdated, and a hindrance to productivity – a fact confirmed by our Future of Work report that found 95 per cent of employees see room for improvement in the way their organisations handle documents.

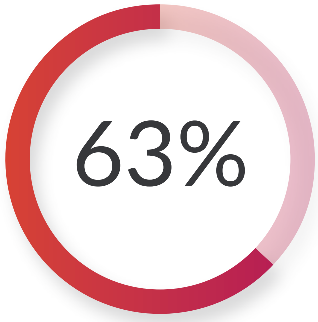
Transforming the way the world works



of the documents knowledge workers encounter are PDFs



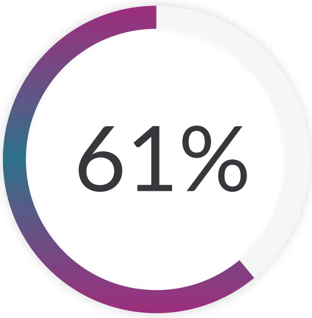
work with PDFs once or more a day



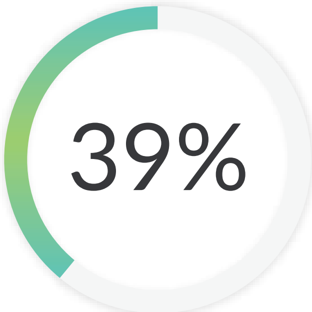
work with more than six documents a day

Document processes remain a pain point

Workers are significantly more likely to indicate workflows are less efficient and not as up-to-date compared to last year.



say their workflows are very efficient (vs. 71% in 2019)



say their workflows are somewhat up-to-date at best (vs. 35% in 2019)

see room for improvement in how their organisations handle documents (vs. 97% in 2019)

Source: Nitro Future of Work Report Part 2, August 2020

The Nitro Productivity Suite™

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 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 Sign™ and Nitro Analytics™. Business customers can manage users and licenses through the Nitro Admin tool take advantage of on-boarding, adoption, and change management capabilities offered through our Customer Success team.

The successful launch of Nitro Sign as a standalone product in June 2020 signaled Nitro's shift from a bundled strategy to a platform strategy that will allow Nitro to grow revenue per customer and support customer retention rates.

Nitro Pro PDF Productivity	Nitro Sign eSigning	Nitro Analytics Insights & Intelligence	+ Customer Success Best-in-Class Service
View, create, and edit PDFs	Secure eSigning workflows	User adoption management	24/7 support team
Document conversion	Process digitisation	Workflow monitoring	Licence management
Manage print cost	Remote collaboration	ROI measurement	User management

Unlock the power of smarter workflows.

Transforming the way the world works

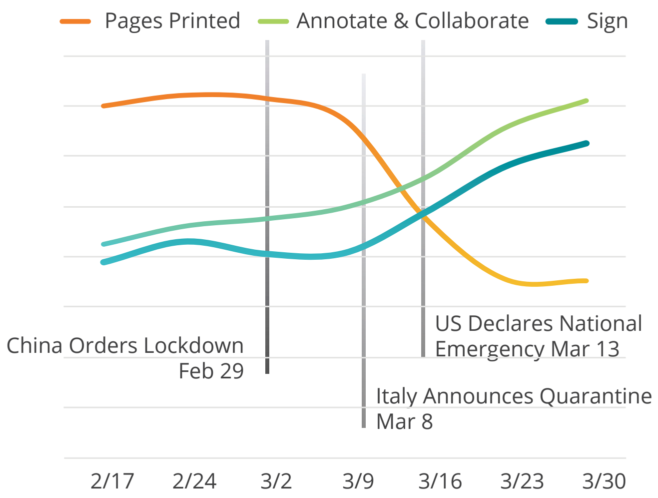
Helping customers during COVID-19

Work shifted with unprecedented speed

The COVID-19 pandemic has fundamentally changed the way businesses operate. Offices closed around the world and shifted to entirely remote work. Many employees have yet to return, and likely will not, as productivity and processes anywhere, anytime have become the new normal. For many knowledge workers, these changes were empowering. For many organisations, they were bewildering. Organisations worldwide had no choice but to accelerate their adoption of document management, digital collaboration, and web conferencing tools to facilitate this urgent digitisation. Paper-based processes are no longer just inefficient, in many cases they are impossible.

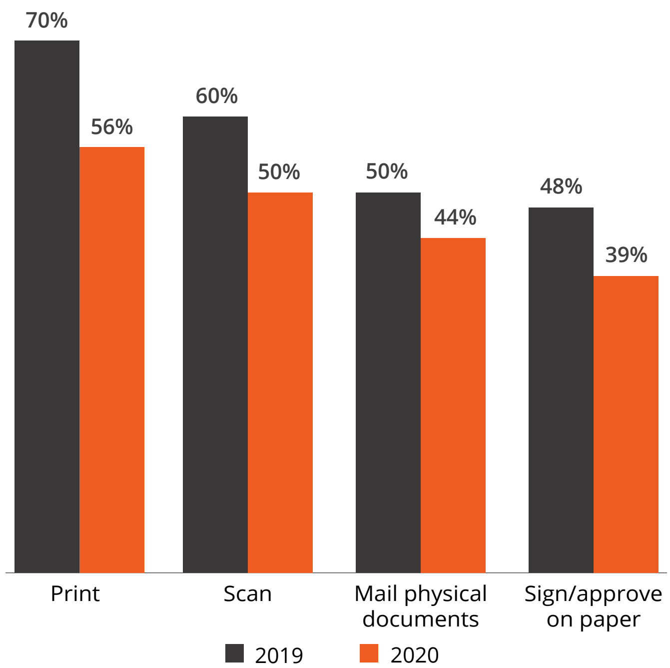
Nitro drove the change

Printed documents vs. digital workflows



Source: Nitro Analytics data from 17 February 2020 to 30 March 2020

Paper's waning reign



Source: Nitro Future of Work Report Part 2, August 2020

Remote work requires new solutions

Nitro has enjoyed a front row seat to this rapid digital transformation. Analysis by Nitro shows eSigning and PDF collaboration have increased dramatically during the pandemic, while printing, scanning and physical signatures have declined. This illustrates that some well-ingrained paper-based behaviors will continue to change as remote work becomes more permanent.

In June 2020, Nitro Sign was launched standalone eSignature solution, offering customers a smarter and faster way to get documents signed from anywhere. With unlimited electronic signatures, advanced team and collaboration features, integration within the Nitro Productivity Suite, document intelligence capabilities, and cloud storage and business workflow integrations, Nitro Sign enables businesses to shift to 100% digital document workflows and be productive from any location. To help organisations of all sizes and industries navigate the disruption caused by the COVID-19 pandemic, Nitro Sign was made available free of charge in 2020, with standalone packaging and pricing to be unveiled in 1H 2021.

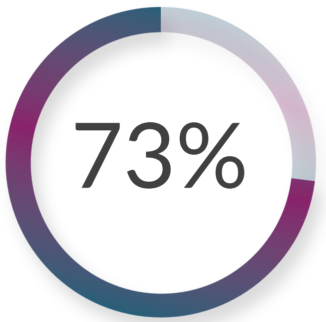
The future of work

Work-from-home as the new norm

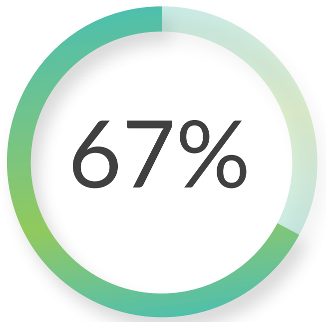
Now, twelve months after organisations have shifted to remote work, many view this as a permanent arrangement.

The novel is becoming the norm

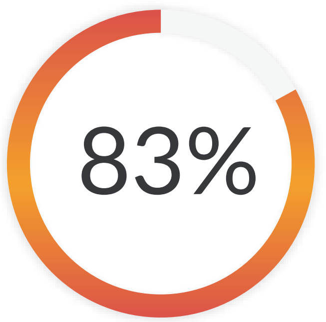
A work-from-home model is now less the exception and more of an expectation.



plan to work from home as much or more frequently after COVID-19



say WFH is very or extremely important when considering future job opportunities



say the way their company handles documents has not improved significantly during the COVID-19 pandemic

Source: Nitro Future of Work Report Part 2, August 2020

Increased demand & usage

881%

Increase in Nitro Sign business users in 2020

160%

Increase in Nitro Pro total time spent in 2020

Source: Nitro Analytics (for increased demand and usage)

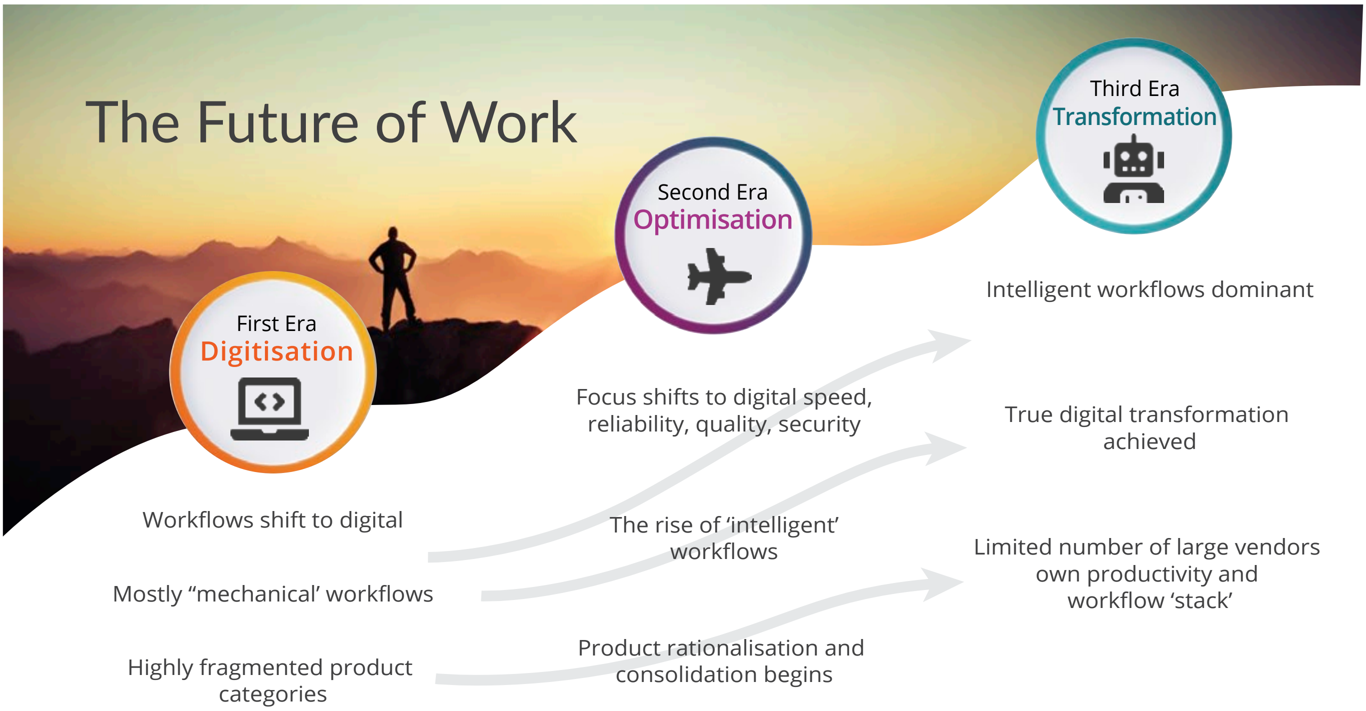
Unfortunately, employers have not adequately grasped the opportunity presented by COVID-19 to improve their document handling processes. To manage remote workforces – without sacrificing efficiency and productivity – organisations must embrace workflow digitisation.

Transforming the way the world works

The three eras of the future of work

Nitro has identified three eras across an organisation's journey from analog processes to end-to-end, intelligent digital workflows.

1. The first era is **Digitisation**, in which analog, paper-based workflows are eliminated or streamlined with digital processes.
2. The second era is **Optimisation**, where the focus shifts to leveraging business intelligence to drive more business outcomes from increasingly digital workflows.
3. The third era is **Transformation** and will ultimately be reached as these intelligent, and increasingly automated, workflows become dominant throughout the entire organisation.



Building a platform for growth

Moving to a platform strategy

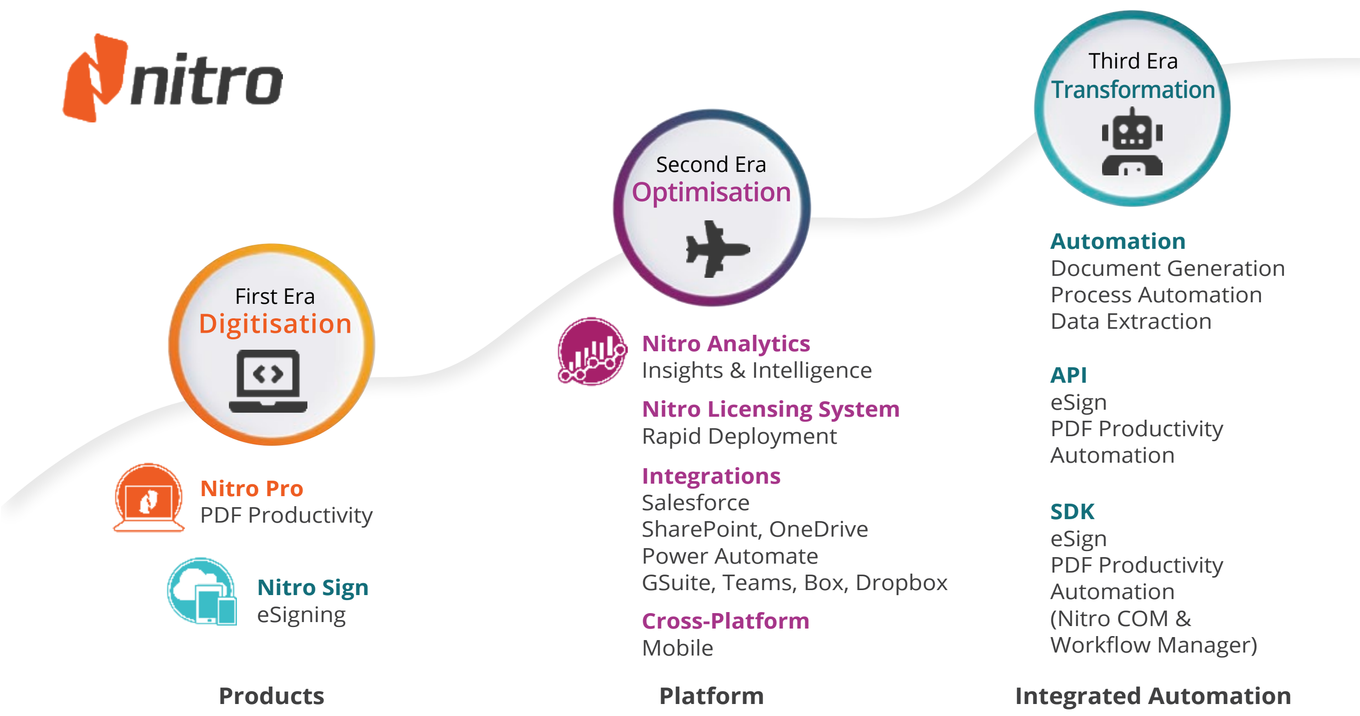
Nitro has designed its Document Productivity Platform to mirror this customer journey, overlaying its existing solutions and product roadmap. With our current solutions for PDF productivity (Nitro Pro) and eSignatures (Nitro Sign), Nitro is enabling customers to achieve Digitisation today. Nitro Analytics and our growing list of enterprise integrations and capabilities are also helping customers achieve greater Optimisation, accelerating the shift to digital document processes and workflows. In the near future, we will be introducing automation capabilities, as well as API and SDK capabilities to help customers achieve true Transformation throughout their entire organisation.

With this strategy, Nitro is making the leap from a single-product company, with a bundled offering, to a true platform provider that can offer workflow productivity solutions to organisations at any stage in the transformation journey. This strategy offers the potential to grow relationships with existing customers, who today might use only one Nitro product, as well as unlock opportunities to reach new customers and entirely untapped markets.

Nitro's vision, backed by its product development pipeline, is to offer customers:

- 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;
- eSigning 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.

We estimate the market for document productivity and workflow solutions is worth $28 billion globally. With our proven success to date, the howling remote work tailwinds, our platform strategy, and our differentiated and growing suite of products, we are confident that Nitro can become a clear leader in this market, delivering long-term growth for the company and its shareholders.



Transforming the way the world works

Future Direction & Vision

Nitro is building the world's first Document Productivity Platform

Productivity
Workflow
Automation
API/SDK
Analytical Insights
Centralised Licensing
Customer Success

Past, Present, and Future

1
Large Mature Category
Nitro Pro
PDF Productivity

2
High-Growth SaaS Categories
Nitro Pro
PDF Productivity
Nitro Sign
eSigning
Nitro Analytics
Insights & Intelligence

3
Digital-Transformation-as-a-Service
Nitro Productivity Platform

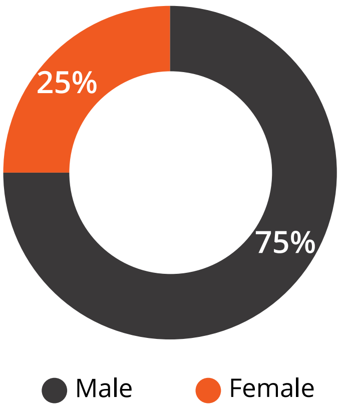
Partner Model

Perpetual Licensing	Subscription Licensing	Subscription Licensing + Services

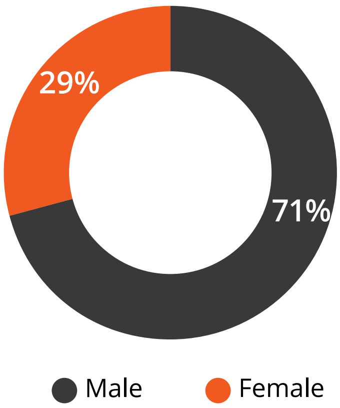
Governance

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.

Board composition – Diversity 2019



Board composition – Diversity 2020



Board of Directors

Kurt Johnson
Executive Chairman

Kurt joined the Board as an independent board member in September 2010 and was appointed Executive Chairman on 1 April 2020.

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

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 Executive Director. Sam is an experienced entrepreneur, starting his first company at age 16 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)

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 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.

Current ASX listed company directorships

- Nitro Software Limited (since October 2014)

John Dyson
Non-Executive Director

John joined the 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. Prior to that, was General Manager (Australia) of JAFCO Asia for six year and has over nine 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 June 2018)
- Audinate Group Limited (since March 2017) Non-Executive Director

Lisa Hennessy

Lead Independent
Non-Executive Director

Lisa joined the Board in November 2019. She is a highly experienced executive and company director with over 30 years of experience. Lisa currently sits on the board of several public and private companies. Prior to serving as a board member, 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

Sarah Morgan

Independent
Non-Executive Director

Sarah joined the Board in November 2019. She is an experienced public and private company director, particularly in audit and risk management capacity. Prior to becoming a company director, Sarah spent 15 years as an Executive Director for an independent corporate advisory firm Grant Samuel, specialising 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
- Whispir 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

Richard Wenzel

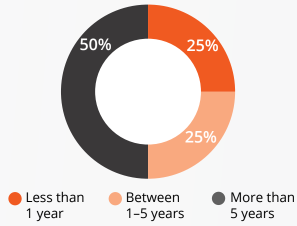
Non-Executive Director

Richard co-founded Nitro in 2005 and has been a Director since. He also sat 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, before his resignation from Executive capacity effective 31 March 2020, he served as the Senior Vice President of Tax and Treasury and is responsible for key treasury functions and tax compliance. He also served as the primary internal legal advisor.

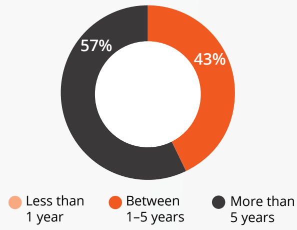
Current ASX listed company directorships

- Nitro Software Limited (since September 1999)

Board composition – Tenure 2019



Board composition – Tenure 2020



Senior Executives

Kurt Johnson
Executive Chairman

Refer to Kurt's full bio on page 16.

Sam Chandler
Executive Director and Chief Executive Officer

Refer to Sam's full bio on page 16.

Ana Sirbu
Chief Financial Officer

Ana joined Nitro in September 2020 and brings to Nitro strong expertise in corporate and operational finance within the technology sector, most recently as Chief Financial Officer at BlueVine, a leading provider of small business banking and lending in the US. In this role, she led the company's finance, strategy, capital markets and analytics activities, playing a critical role in BlueVine's strong growth and success.

Prior to joining BlueVine, Ana led technology investment activity at Google Capital across the fintech and SaaS sectors. She also previously held investing, finance, and corporate development roles at Skrill, Silver Lake Partners and UBS investment bank.

In September 2020, Ana was recognised among the top 25 women leaders of 2020 in the financial technology sector globally by The Financial Technology Report. In November 2018, Ana was included on the Innovate Finance Women in FinTech Powerlist, which recognises the contributions of women leading innovation in financial services.

Ana holds a Bachelor of Arts in Economics from Harvard University.

Gina O'Reilly
Chief Operating Officer

Gina joined Nitro in 2008 as COO, with global responsibility for the Business Operations and People functions, including Employee Experience and Talent. With over 15 years of software industry experience, Gina seeks to attract, retain, and cultivate the best talent at Nitro. She is passionate about developing a creative, challenging, fun, diverse, and inspiring work environment that makes every Nitronaut feel his or her contribution helps to grow the business. Prior to Nitro, Gina oversaw global sales and marketing at activePDF, a leading provider of server-side PDF solutions and developer tools.

Gina holds an MBA from the University of Phoenix and a Bachelor of Arts in International Marketing & Languages from Dublin City University, Ireland.

Maria Robinson
Chief Marketing Officer

Maria joined Nitro in August 2020. As Nitro's first-ever Chief Marketing Officer, Maria is responsible for driving growth and awareness of Nitro around the globe. Prior to Nitro, Maria served as Vice President of Growth Strategy at Imperva. In this role, Maria was responsible for Marketing and SDR organisations leading brand, digital, demand, web, and ABM transformation, and the transition to SaaS. She also founded the Imperva Women's Network to help foster greater diversity and inclusion in technology. Prior to joining Imperva, Maria held various leadership roles in high growth divisions at Intuit, LogMeIn, and Citrix as well as healthcare technology startups.

Maria holds a Bachelor's degree in Sociology and Global Studies from Alverno College.

Mark Flannagan
Senior Vice President, Global Sales

Mark joined Nitro in January 2020. As Senior Vice President of Global Sales, Mark oversees all of Nitro's global Sales, Customer Success, and Revenue Operations. He is an accomplished executive with a proven track record of driving high performance and business transformation through focused execution, often in challenging and highly competitive market segments.

Prior to Nitro, Mark was a member of Marketo's senior leadership team in EMEA, responsible for accelerated growth across the region. He also served as Executive Vice President at Vistatec, a global professional services organisation, where he headed up global sales, marketing and strategy. Mark previously held number of senior sales and marketing leadership positions in organisations, including PFH Technology Group, GlaxoSmithKline (GSK), and Hewlett Packard.

Mark holds a Bachelor of Commerce degree (Marketing major) and a Postgraduate Higher Diploma in Marketing Practice from the National University of Ireland, Galway.

Sam Thorpe
Chief Product Officer

Sam rejoined Nitro in July 2020 as Chief Product Officer. Before this, he served as CPO at Flow Kana, responsible for formulating the company's technology and data strategy to accelerate the responsiveness of all supply chain tiers. Prior to Flow Kana, Sam served as the Director of Product Strategy at Nitro, where he led strategy, customer research and innovation toward synthesising and unifying global product strategy. Sam also played a key role in the fund raising of tens of millions of investment dollars.

Earlier in his career, Sam built and led innovative, high-performance product organisations in start-up environments, including two different enterprise real estate systems that were acquired in succession by Fortune 500 companies. Sam holds a Bachelor's degree in Psychology with a Business minor from Humboldt State University.

David O'Donoghue
Vice President, Engineering

David joined Nitro in 2018 as VP of Engineering. In this role, 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. Prior to Nitro, Dave served as 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. David holds a Master of Science (First Class Honours) in Work and Organisational Behaviour from Dublin City University.

Director’s 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 2020. All amounts are presented in US Dollars (‘USD’) unless otherwise stated.

Principal activities

The principal activities of the Group during the year were the provision of document productivity software, including PDF productivity, eSigning workflow, and analytics solutions, as well as associated maintenance and support services.

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 7, 330 Collins Street, Melbourne, Victoria, Australia and principal place of business is 150 Spear Street, Suite 1500, San Francisco, California, United States of America.

Details of Directors

As at the date of this report, the details of the Directors of the Company are as follows:

NAME	POSITION
Kurt Johnson	Executive Chairman
Sam Chandler	Executive Director and Chief Executive Officer ('CEO')
Andrew Barlow	Independent Non-Executive Director (Resigned 25 August 2020)
Michael Brown	Non-Executive Director
John Dyson	Non-Executive Director
Lisa Hennessy	Lead Independent Non-Executive Director
Sarah Morgan	Independent Non-Executive Director
Richard Wenzel	Non-Executive Director

The Directors listed above each held office as a Director of the Company throughout the period and until the date of this report, other than:

- Kurt Johnson, who was appointed as an Executive Chairman effective 1 April 2020 and he performed duties of acting CFO from 1 April 2020 to 28 September 2020;
- Richard Wenzel, who ceased to be an Executive Director effective 31 March 2020;
- Lisa Hennessy, who was appointed as the Lead Independent Director effective 1 April 2020; and
- Andrew Barlow, who resigned from his position as Non-Executive Director on 25 August 2020.

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 year ended 31 December 2020.

	BOARD		AUDIT AND RISK COMMITTEE		REMUNERATION AND NOMINATION COMMITTEE	
	(A)[1]	(B)[2]	(A)[1]	(B)[2]	(A)[1]	(B)[2]
Sam Chandler	18	18	–	–	–	–
Kurt Johnson	18	18	3	3	3	3
Andrew Barlow[3]	12	11	6	6	–	–
Michael Brown	18	18	–	–	–	–
John Dyson	18	18	–	–	5	5
Lisa Hennessy	18	18	9	9	5	5
Sarah Morgan	18	18	9	9	5	5
Richard Wenzel[4]	18	18	3	3	–	–

1. Number of meetings held during the time the Director held office and was eligible to attend as a member.
2. Number of meetings attended.
3. Resigned as a member of the Board of Directors and Audit and Risk Committee on 25 August 2020.
4. Appointed as a member of the Audit and Risk Committee on 23 September 2020.

Director's Report

The qualifications, experience and roles and responsibilities of Directors, including current and recent directorships, are detailed on pages 16 to 17 of the Annual Report.

The remuneration, interests in securities and share options are detailed in the Remuneration Report on pages 46 to 53 of the Annual Report.

Company secretary

Mark Licciardo *(Company Secretary)*

Mark was appointed as Company Secretary effective 21 November 2019. Mark 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. Mark 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.

Kathleen Miller *(Former Co-Company Secretary)*

Kathy joined Nitro in January 2019 in the role of CFO and was appointed the Co-Company Secretary from 21 November 2019 till the date of her resignation on 31 March 2020.

Officers

The names and roles of other Officers of the Company during FY2020 are shown in "Key Management Personnel" of the Remuneration Report on page 32 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 involving a lack of good faith. 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 and those in relation to the IPO in FY2019 by PwC are disclosed in note 17 "Auditor's remuneration" to the Consolidated Financial Statements on page 83 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 55 of the Annual 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

It is the opinion of the Directors that there were no significant changes in the state of affairs of the Group during the year, except as otherwise noted in this report.

Subsequent events

The Directors are not aware of any matters or circumstances that have arisen since 31 December 2020 that have significantly affected or may significantly affect the operations of the Group in subsequent financial years, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

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 24 to 29 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 29 of the Annual Report; and
- Remuneration Report on pages 30 to 54.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (unless otherwise stated) under the option available to the Group under ASIC Corporations (Rounding in Financial/Directors' Reports) Instruments 2016/191. The Group is an entity to which the legislative instrument applies.

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

Kurt Johnson
Executive Chairman
24 February 2021

Sam Chandler
Chief Executive Officer
24 February 2021

Operating and financial review

This operating and financial review ('OFR') is designed to assist shareholders in understanding 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 57 to 86. The OFR covers the period from 1 January 2020 to 31 December 2020, including the comparative prior period and the prospectus forecast for the year ended 31 December 2020. To conform to the current period presentation, comparative figures have been reclassified where appropriate.

The OFR also includes Software-as-a-Service ('SaaS') metrics that we believe are critical to the understanding of the performance of the business. These SaaS metrics are non-IFRS measures and the manner in which these are calculated and trends they convey are explained in Appendix to the Annual Report 2020.

Strong 2020 performance

"Considering all the challenges that 2020 had to offer we are thrilled to present our results, with at-or-above plan performance on all key metrics and strong subscription sales growth. We've managed successfully through the initial disruption caused by the COVID-19 pandemic and built a team to deliver the strategic objectives for Nitro."

Sam Chandler *Co-Founder & CEO*

SUMMARY OF FINANCIAL RESULTS US$ MILLIONS[1]	2020	2019	CHANGE	CHANGE %	2020F[2]
Subscription	**21.2**	13.2	**8.1**	61%	**20.2**
Perpetual licence, maintenance and support	**18.9**	22.5	**(3.5)**	-16%	**20.2**
Total revenue	**40.2**	35.7	**4.5**	13%	**40.5**
Cost of revenues	**(3.8)**	(3.7)	**(0.1)**	3%	**(4.5)**
Gross profit	**36.4**	32.0	**4.4**	14%	**35.9**
Sales and marketing	**(20.2)**	(18.9)	**(1.3)**	7%	**(21.3)**
Research and development	**(9.4)**	(7.2)	**(2.1)**	30%	**(10.3)**
General and administrative	**(9.2)**	(7.0)	**(2.2)**	31%	**(8.4)**
Operating EBITDA	**(2.4)**	**(1.1)**	**(1.3)**	**110%**	**(4.0)**
IPO Costs	**(0.0)**	(3.0)	**3.0**	-100%	**–**
Share-based payment expense	**(3.0)**	(0.8)	**(2.1)**	254%	**(1.3)**
FX gains/(losses)	**(0.6)**	1.1	**(1.6)**	-151%	**–**
EBITDA	**(6.0)**	(3.8)	**(2.1)**	55%	**(5.3)**
Depreciation and amortisation expense	**(1.7)**	(2.0)	**0.3**	-15%	**(1.8)**
Other	**0.1**	(2.1)	**2.2**	-106%	**0.1**
Loss after tax	**(7.5)**	(7.9)	**0.4**	-5%	**(7.0)**

SAAS METRICS	2020	2019	2020F
Annual Recurring Revenue (ARR) $million	**27.7**	16.9	24.4
Gross margin	**91%**	90%	89%
Net Revenue Retention	**117%**	126%	NA
Subscription retention rate	**85%**	90%	NA
LTV/CAC (ratio)	**3.1x**	2.8x	NA

Revenue

Subscription revenue

For 2020, subscription revenue increased by $8.1 million to $21.2 million, up 61% YoY from $13.2 million for the same period in 2019. Subscription revenue was 53% of total revenue in 2020, up from 37% in 2019. This increase was primarily driven by new customer wins, including many large enterprise customers, as well as expansions from existing subscription customers.

The Company measures growth in subscription revenue through New ARR added. New ARR added measures growth in subscription licence revenue during the period as a result of sales of subscription licences to new customers, additional subscription licence sales to existing subscription customers, and the conversion of maintenance and support contracts to subscription licensing. New ARR added during 2020 was $10.9 million compared to $6.7 million for the same period in 2019. Consequently, ending ARR rose 64%

1. Totals may not add due to rounding errors caused by the figures being rounded to the nearest tenth of million dollars.
2. As per the IPO Prospectus.

Operating and financial review

during 2020 to $27.7 million from $16.9 million at the end of the same period last year. Only 27% of New ARR added during 2020 was derived from perpetual customers with maintenance and support contracts transitioning to our subscription offering during the course of the year.

Subscription revenue outperformed the IPO prospectus forecast for FY2020 by $1 million or 5% primarily on account of the increased focus to transition to a subscription-based model.

Perpetual licence, maintenance and support revenue

Perpetual revenue, which includes perpetual licences, maintenance and support revenues, was $18.9 million in 2020, down 16% YoY from $22.5 million in 2019. 2020 perpetual revenue comprised 47% of total revenue, down from 63% of total revenue in 2019. The Company expects perpetual revenue to continue to reduce as a percentage of total revenue, given the rapid deliberate growth in subscription sales and the success of the Nitro Productivity Suite.

Gross profit and gross profit margin

Gross profit increased by $4.4 million or 14%, to $36.4 million in 2020 compared to $32.0 million during 2019. The gross margin was 91% for 2020, compared to 90% for 2019. Cost of revenues decreased during 2020 as a percentage of total revenue compared to 2019 primarily due to the growth in and dominance of subscription licensing, which has a lower cost-of-sale than perpetual licensing.

Cost of revenues 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 products, third party hosting and transaction services for the Company's online storefront, and employee and other operating costs associated with the Company's customer support organisation.

Operating expenses

Sales and marketing

Sales and marketing expenses were $20.2 million in 2020, an increase of $1.3 million or 7% as compared to $18.9 million in 2019. As a percentage of total revenue, sales and marketing expenses were 50% and 53% of total revenue in 2020 and 2019, respectively. The increase in sales and marketing expense was primarily due to an increase in head count, which was 79 at the end of 2020 as compared to 61 at the end of 2019. The sales and marketing expenditure is, however, lower than the prospectus forecast on account of hiring deferrals, travel and event cost reductions, and general expense caution in light of the COVID-19 pandemic. These reductions were partially offset by an increase in advertising during 2020.

The Company measures the efficiency of sales and marketing by monitoring LTV/CAC ratios. The LTV/CAC ratio was 3.1x for 2020 versus 2.8x for 2019.

Research and development

Research and development expenses were $9.4 million in 2020, an increase of $2.1 million or 30% compared to $7.2 million in 2019. As a percentage of total revenue, research and development expenses were 23% of total revenue in 2020 compared to 20% in 2019. The increase was primarily due to increased personnel cost. Total research and development employees at the end of 2020 were 64, as compared to 42 at the end of 2019. Activities during the year included the development and launch of Nitro Sign™, and several new product integrations and enhancements. During the year, 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 2020, general and administrative expenses were $9.3 million, an increase of $2.2 million or 32% compared to $7.0 million in 2019. As a percentage of total revenue, general and administrative expense increased to 23% of total revenue in 2020 from 20% of total revenue in 2019. This was primarily due to increase in costs associated investments ahead of anticipated growth and scale. We expect this cost base to normalise as a percentage of revenue as we continue to grow.

Other items impacting the results

Share-based payments expense

Share-based payments expenses were $3.0 million in 2020, an increase of $2.1 million from $0.8 million in 2019. The increase was primarily attributable to the awards to the Executive Chairman and the hire of a number of key executives and C-Level hires in 2H 2020.

Finance costs, net

In 2020, finance costs, net were lower by $1.7 million due to the repayment of the Company's outstanding debt in December 2019 following the IPO.

Cash flows

Cash and cash equivalents were $43.7 million as of 31 December 2020.

Operating cash outflow of $1.5 million in 2020 was higher than the operating cash inflow of $0.4 million in 2019. The increase in operating cash flow for 2020 compared to the same period of 2019 was primarily due to increased cost operations given investment in the business, partially offset by changes in other working capital. Gross receipts from customers in 2020 aggregated to $42.7 million as compared to $40.2 million in 2019. Investing activities included $0.2 million in relation to premiums on foreign currency option.

Cash flow from financing activities included payments for leases of $1.4 million, IPO transaction costs $0.2 million and the purchase of treasury shares of $0.1 million. This was partially offset by receipts from the proceeds from the exercise of stock options of $0.4 million.

COVID-19 update

Further to the update provided to the market during 2020, the impact of the COVID-19 pandemic on the Company has not been material. At the beginning of the pandemic, we observed that many customers were focused on their initial pandemic response, resulting in some cases in delays or reviews of new initiatives. More recently, however, businesses have been seeking to quickly transform practices and processes to enable fully digital or fully remote work. Quite often these are technology investments that had been planned over many years, brought forward and accelerated. Businesses are seeking solutions that deliver a positive end-user experience and are also scalable, easy to implement and manage, and future proof.

The Company has seen this new and urgent demand across a number of areas as customers request solutions for rapid digitisation to enable remote work productivity with a strong focus on document collaboration and eSigning capabilities. This demand highlights the relevance and robustness of the Company's product offering and business model.

Our response to the pandemic especially with relation to our team at Nitro has been swift and decisive, Nitro implemented work-from-home ('WFH') effective 12 March 2020, ceased all travel and required self-isolation for returning travelers. To ensure organisation productivity remained high, all Nitronauts were WFH-enabled with home office equipment, upgrades to computing equipment and internet connectivity where required. Nitro's 'new normal' operations included new meeting, check-in and communication models, regular employee surveys, and expanded health and wellness programs. Given our prompt actions, Nitronauts successfully remained engaged and productive throughout the course of the year.

With a balance sheet free from debt, a strong cash position and low operating cash requirements, the Company is well-positioned to manage the business impact during this unprecedented period.

Launch of Nitro Sign™

In June 2020, Nitro Sign was launched as a standalone eSignature solution, offering customers a smarter and faster way to get documents signed from anywhere. With electronic signatures suitable for numerous use cases, advanced team and collaboration features, integration within the Nitro Productivity Suite, document intelligence capabilities, cloud storage and business workflow integrations, Nitro Sign enables businesses to shift to 100% digital document workflows and their employees to be productive from any location. To help organisations of all sizes and industries navigate the disruption caused by the COVID-19 pandemic, Nitro Sign was made available free of charge in 2020. User acquisition, growth and usage goals, including signature volumes, are far exceeding our internal targets. NitroSign standalone pricing and packaging will be introduced in 1H 2021.

Nitro's growth strategy

The Company's growth strategy is founded on five primary levers:

- Expansion within existing customers;
- Winning new customers;
- New product development;
- Mergers and acquisitions; and
- New markets and channels.

Operating and financial review

Nitro expects to continue to attract new enterprise and mid-market Nitro Productivity Suite customers around the globe. 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.

'Land and expand' is the Nitro go-to-market and customer success mantra. Nitro is focused on increasing the value it provides to and in turn derives from existing customers over time, in several ways, including through an increase in the number of licences and through an 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 average contract values over time by cross-selling and up-selling Nitro Sign as well as other new products and expanded features and integrations.

Nitro has an ambitious product roadmap for FY2021 and beyond. Nitro believes there are vast growth opportunities both in the core markets of PDF productivity and eSigning, as well as adjacent markets of document productivity and workflow more broadly. 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 addressing most use cases;
- Developing further 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.

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, as well as product roadmap execution.

These growth levers, combined with the very large markets in which we operate and the accompanying accelerating growth trends observable in 2020, provide enormous opportunity for the Company. Nitro estimates its total addressable market ('TAM') for PDF document productivity and eSigning to be $28 billion[1].

The COVID-19 pandemic is accelerating digital transformation around the world and increasing investments in document productivity, workflow, and analytics solutions.

With Nitro's strong history in selling these solutions into the largest organisations in the world, we are excited to deploy our capital and resources to continue to grow our product offering and rapidly scale our customer base.

Proactive approach to risk management and response

Nitro deals with a variety of business risks, which it actively assesses and manages as part of its risk management framework along with the Board and the Executive Team. 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 the Company's 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 risk in this area.

1. Nitro Productivity Suite and Nitro Sign TAM calculated by estimating the total number of companies worldwide across our SMB, Mid-Market, Growth and Enterprise segments using LinkedIn data and applying an Annual Contract Value (ACV) per segment for each product. Productivity Suite ACVs are based on Nitro's typical ACVs per segment achieved today, and Sign ACVs are based on typical eSigning contract values currently achieved by market leaders, but discounted to reflect expected Nitro pricing and packaging.

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 sensitive personal or business information. By nature, information technology systems are susceptible to cyber-attacks, with third parties seeking unauthorised access to data and financial theft, thereby causing disruption to business-as-usual services. Any of these events could cause a material disruption to Nitro's business and operations.

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 provide 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 Sign 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 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 senior executives, as well as the sales and product teams. In addition, Nitro needs to attract and retain highly skilled software development engineers, for which the market is quite competitive.

Nitro continues to develop leadership, learning and development, as well as engagement initiatives to drive and deliver a results-oriented and high-engagement culture. A best-in-class approach to remuneration, personal leave, wellness and healthcare benefits, as well as an identifiable value system, has ensured that any risks emanating in relation to talent management are mitigated promptly and suitably.

Our response to cyber security incident

During the year ended 31 December 2020, the Company reported a low impact, isolated security incident, which involved limited access to a Nitro database by an unauthorised third party. Upon learning about the incident, the Company took immediate action to ensure the Nitro environment was secure and commenced an investigation with the support of leading cybersecurity and forensic experts. The investigation is now completed. The Company did not experience, and does not expect going forward, any material financial impact in relation to the incident. Costs incurred from the remediation and mitigation of this incident were covered by the Company's cyber insurance policy.

Outlook

In FY2021, Nitro will continue to focus on delivering its platform product strategy, driving increased adoption of the Company's PDF productivity, eSigning and analytics solutions across new and existing customers in its enterprise, mid-market and SMB segments.

Nitro's total addressable market in document productivity and eSigning is large and growing, supported by strong structural tailwinds and changing work practices accelerated by COVID-19, and estimated at $28 billion. Given the scale of the market opportunity, clear sector tailwinds, and the Company's multiple growth levers, Nitro will be making key investments in FY2021, primarily focused on product development and scaling its go-to-market organisation. Nitro will also continue to explore other targeted investments, including potential acquisitions, in order to build capability and scale and further cement its leadership position in global document productivity and workflow.

Remuneration Report (Audited)

Message from the Chair of the Remuneration and Nomination Committee

Dear Shareholder,

On behalf of the Board, I am pleased to present Nitro Software Limited 's Remuneration Report for the financial year to 31 December 2020.

2020 was a year of transformation for the Company as we strengthened our executive team through several key appointments, including a new Chief Financial Officer, Chief Marketing Officer, Chief Product Officer and other Vice Presidents across the business. These strategic hires were to ensure we have the necessary talent in place to support our pace of growth and future aspirations, whilst continuing to deliver outstanding performance for our shareholders and executing on the commitment to broaden our approach to remuneration as we transition to a public company since listing in December 2019.

Financial performance

We delivered strong results for our shareholders with both Total Shareholder Return (TSR) of 96%, and Annual Recurring Revenue (ARR) growth of +64% YoY outperforming our market peers. Our operating EBITDA result of ($2.4) million was $1.6 million ahead of Prospectus with our Revenue result in line at $40.2 million +13% YoY.

Remuneration outcomes

Our achievements above were reflected in the executive remuneration outcomes for this year. Executives on average received 99% of their Short-Term Incentive ('STI') target for performance against a balance scorecard of measures and with the achievement of 140% of the Board approved Operating EBITDA target the overall pool was funded at the maximum of 112%. The tracking of our 2020 Long-Term Incentive ('LTI') relative TSR component (50%) at year end is above the 90th percentile of the peer group (S&P/ASX All Technology Index ('XTX') inception companies).

KMP changes

During the first half, a number of key changes occurred within the executive team, including the departure of Kathy Miller (former CFO) and the retirement of co-founder Richard Wenzel from his executive role. Both forfeited unvested options and STI opportunity. Kurt Johnson was appointed Executive Chair and assumed the role of acting CFO whilst we undertook the search process.

Following an effective transition period, our new CFO, Ana Sirbu, commenced 28 September 2020. As part of Ana's remuneration arrangements, we provided her with a sign-on equity award (see details 2.d), as we did with a number of key executives and C-Level hires in 2H 2020 to ensure that we attracted the top talent in the highly competitive San Francisco Bay area market. The combination of these awards and our outstanding relative TSR performance primarily drove the increase to non-cash share-based compensation expense against Prospectus ($3.0 million vs. $1.3 million).

With Kurt's appointment as Executive Chair on 1 April 2020, I assumed the Lead Independent Director role and Richard Wenzel assumed a Non-Executive Director role effective this date. On 25 August 2020, Andrew Barlow stepped off the Board after almost fourteen years of service.

FY21 changes to remuneration

In 2020, the Remuneration Committee undertook a review of remuneration arrangements and governance practices to ensure they continue to be fit for purpose, appropriate to the markets in which we compete for talent, and aligned with shareholders' expectations. Resulting from this we will adopt the following changes in FY21:

STI

Within our existing balance scorecard framework, financial objectives will now be assessed jointly via a matrix reflecting the importance in the relationship of ARR growth, whilst balancing the operating investment that drives that growth (Operating EBITDA). The potential maximum opportunity will increase to 140% from 112% to further incentivise and reward for significant outperformance.

CEO

As part of the review, all executive roles were benchmarked within their local market context to determine if the amount and mix of fixed and variable at-risk remuneration opportunities were appropriate to their position. In doing so, we identified that an adjustment was necessary for the CEO for base salary and overall target opportunity resulting in a change to role's pay mix increasing the variable at-risk component. This took effect 1 January 2021.

The 2019 Remuneration Report received overwhelming support from our shareholders at the 2020 AGM and we look forward to continuing to look for opportunities to improve our approach as we grow, key to which is ongoing dialogue. We welcome your comments or feedback on any aspect of this Report.

Lisa Hennessy
Chair, Remuneration and Nomination Committee

24 February 2021

Remuneration Report (Audited)

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   e. STI Plans
   f. LTI Plans
3. Performance Pay Outcomes *(linking Group performance to performance pay outcomes for 2020)*
4. Actual Performance Pay *(statutory and actual tables)*
5. Governance *(Committee structure)*
6. Non-Executive Remuneration
7. Additional Statutory Disclosures (*other equity and KMP transactions required to be disclosed*)

1. Introduction

The Directors of Nitro Software Limited present the Remuneration Report ('the Report') for the Company and its controlled entities 'the Group' for the year ended 31 December 2020. This Report forms part of the Directors' Report and has been audited in accordance with section 300A of the Corporations Act 2001.

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

NAME	TITLE[1]	INDEPENDENT	TERM
Non-Executive Directors			
Andrew Barlow	Director	Y	Ceased 25 August 2020
Michael Brown[2]	Director	N	Full financial year
John Dyson[2]	Director	N	Full financial year
Lisa Hennessy[3]	Lead Independent Director	Y	Full financial year
Sarah Morgan	Director	Y	Full financial year
Richard Wenzel[4]	Director	N	Full financial year
Executive Directors			
Sam Chandler	Chief Executive Officer		Full financial year
Kurt Johnson[5]	Executive Chair		Full financial year
Other Key Executives			
Kathleen Miller	Chief Financial Officer		Ceased 31 March 2020
Ana Sirbu	Chief Financial Officer		Commenced 28 September 2020

1. Title as at 31 December 2020.
2. 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.
3. Appointed Lead Independent Director effective 1 April 2020.
4. Assumed Non-Executive Director capacity post retirement as Executive Director and Senior Vice President of Tax and Treasury effective 1 April 2020.
5. Appointed Executive Chair effective 1 April 2020 ceasing role of Independent Non-Executive Chair. Assumed CFO role in acting capacity for period 1 April to 27 September 2020.

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

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

There have been no changes to KMP after the reporting date and before the date the financial report was authorised for issue.

This Report is presented in the Company's functional currency of USD. The actual exchange rate applied has been disclosed throughout.

2. Overview of executive remuneration

2.a. 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 five key reward principles that provide the foundation for reward design and quantum decision. The following table illustrates the link:

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

2.b. 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 five pillars of business strategy.

FIVE PILLARS OF BUSINESS STRATEGY	HOW IS THIS INCORPORATED IN THE STRUCTURE?
1. Expansion of existing customers 2. Winning new enterprise customers 3. New markets and channels	Pillars 1, 2 and 3 are implicit in the Annual Recurring Revenue ('ARR') and Revenue growth metrics measured and assessed as part of variable at-risk remuneration for Executives' through both the STI plan (financial objectives) and 2020 LTI plan (revenue CAGR performance hurdle).
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 and 2021 LTI plan (revenue CAGR and relative Total Shareholder Return ('TSR') performance hurdle).

The Executive remuneration framework was reviewed by the Nomination and Remuneration Committee and Board with reference to the reward principles and market movements during FY20 with changes approved in FY21 to:

- Operation of the STI plan, performance measures and range (section 2.e);
- LTI plan, upwards revision to Revenue CAGR hurdle target (section 2.f); and
- CEO base pay and target opportunity (section 2.d).

The following pages provide detail of current framework, structure and highlights the proposed change to CEO pay mix in FY21.

Remuneration Report (Audited)

2.c. Executive remuneration framework

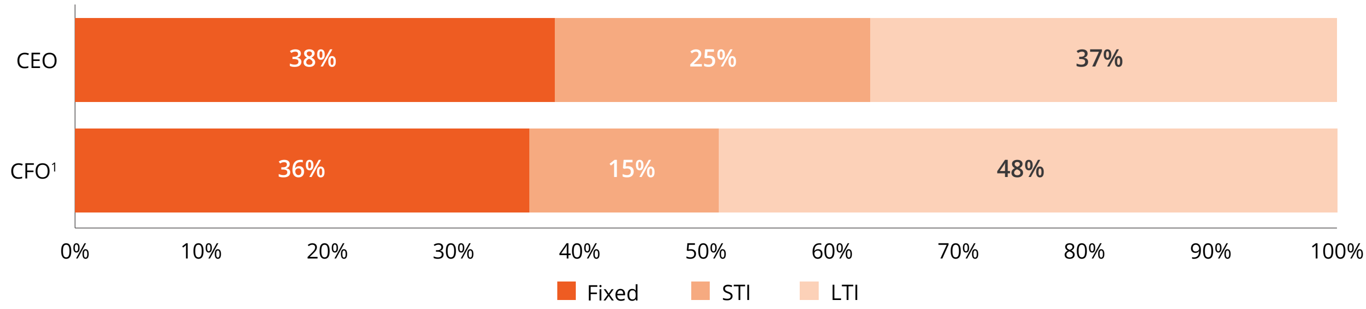
The table below details the structure:

	COMPONENT	PERFORMANCE MEASURE	PERFORMANCE RANGE	VEHICLE
FIXED	Fixed	Local market review of comparable roles in similar companies based on the scope of the Executive's role	Actual payments reflect individual skill, qualifications, experience and market conditions	Component consists of cash, statutory superannuation/ pension contributions where applicable and other non-monetary benefits
FIXED	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	Cash
VARIABLE AT-RISK	Long-term incentive	Vesting conditional on future performance hurdle (relative TSR and revenue measure)	Grant based on a pre-determined % of fixed remuneration	Performance Rights
VARIABLE AT-RISK	Sign-on equity award (eligibility determined on a case-by-case basis by the Board)	Minimum vesting requirements include time-based service	At the discretion of the Board with reference to an individual's forgone incentives and local market conditions	Performance Rights, Restricted Share Awards and Options

		Dec 20	Dec 21	Dec 22
AT-RISK	LTI (performance rights)	3-year Performance Period (50% TSR and 50% Revenue CAGR)		
AT-RISK	STI (cash)	Performance Period		
FIXED	Fixed (cash)			

Remuneration mix

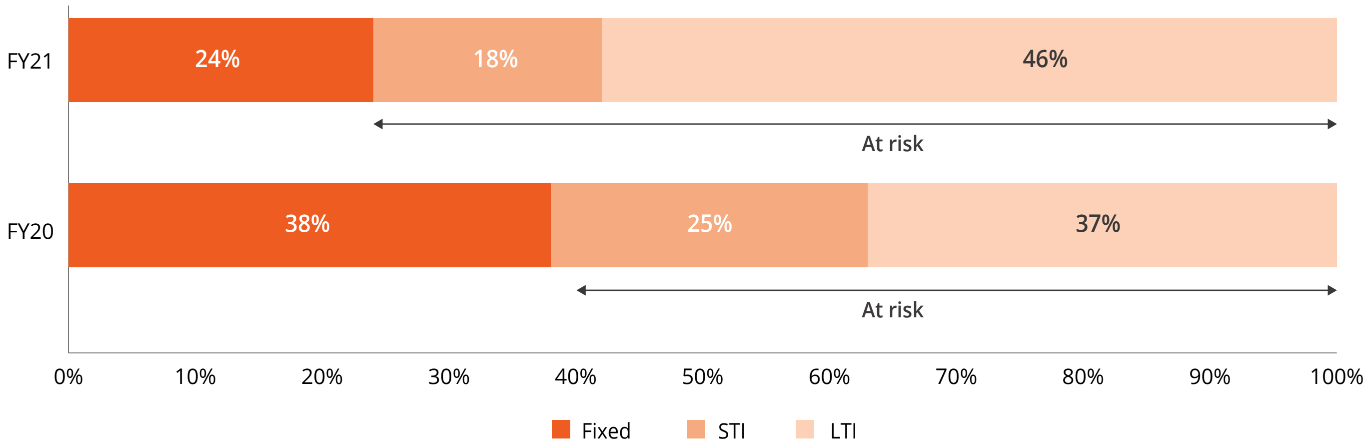
The target remuneration mix for the CEO and Executives in FY20 is shown below with long-term incentives ('LTI') based on the face value of equity grants during the year.



1. Intended target mix for CFO role appointed reflecting annualised value for Fixed, STI and 2020 LTI grant. The Executive Chair role does not have a specified annual target mix due to its transitionary nature.

Change to CEO FY21 target mix:

The below graph the increase to the 'at-risk' component in FY21 for the CEO (section 2.d).



Remuneration Report (Audited)

2.d. Service Agreements

The components of the executive remuneration packages for our KMPs at year end are detailed below:

SAM CHANDLER	Executive Director, Co-Founder and Chief Executive Officer
Base Salary:	$300,000 per annum
Incentives:	Mr Chandler is eligible to participate in the Company's 2020 STI plan (see section 2.e.) with target cash incentive opportunity of $200,000 with a maximum potential bonus of $224,000. Mr Chandler is eligible to participate in the Company's 2020 LTI plan (see section 2.f.) with a target incentive opportunity of up to 100% of fixed remuneration. Mr Chandler has been granted 267,000 performance rights under this plan as approved at the 2020 AGM.
Benefits:	Mr Chandler is entitled to participate in the Company's employee benefit plans, including paid leave, paid holidays, medical, dental and vision insurance coverage. Mr Chandler, under a legacy arrangement, also receives an annual allowance of $5,000 to be used towards air fares for personal trips between his home country and the United States; $10,000 per annum for the cost of maintaining his global pension fund; and up to $3,000 for the preparation and filing of his personal income tax return.
Termination:	Employment may be terminated by either the Company or by Mr Chandler by providing six months written notice. The Company may elect to pay Mr Chandler in lieu of all or part of such notice period. Mr Chandler 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. Mr Chandler's employment may be terminated by the Company without notice in certain circumstances such as un-remediated material breach of contract, serious misconduct, 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 he is not entitled. In the event that Mr Chandler's employment is terminated without cause he is entitled to six month base salary.
Other:	Mr Chandler is based in San Francisco, California, USA and has an open-ended employment contract with no non-solicitation or non-compete obligations, as such obligations are not enforceable under Californian law. The Board has adjusted Mr Chandler's remuneration arrangements effective 1 January 2021 as follows: • Base Salary $400,000 per annum; • 2021 STI target cash incentive opportunity $300,000 with a maximum potential bonus of $420,000; • 2021 LTI target incentive opportunity of up to 240% of fixed remuneration granted in performance rights subject to shareholder approval at the 2021 AGM; and • These changes are inline with Board's target position of 25th percentile of external benchmark for role and where the CEO was a founder of the Company.

ANA SIRBU	Chief Financial Officer
Base Salary:	$350,000 per annum
Incentives:	Ms Sirbu is eligible to participate in the Company's 2020 STI plan (see section 2.e.) with an annual target cash incentive opportunity of $150,000. For 2020 this amount has been prorated based on commencement date, of which 50% was guaranteed. Ms Sirbu is eligible to participate in the Company's 2020 LTI plan (see section 2.f.) and has been granted 228,910 performance rights under this plan.
Benefits:	Ms Sirbu is entitled to participate in the Company's employee benefit plans, details of which are provided under Mr Chandler's arrangements.

Termination:	Employment may be terminated by either the Company or by Ms Sirbu by providing two months written notice. The Company may elect to pay Ms Sirbu in lieu of all or part of such notice period with any such payment to be based on her base salary over the relevant period. Ms Sirbu 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. Ms Sirbu's employment may be terminated by the Company without notice in certain circumstances such as un-remediated material breach of contract, serious misconduct, 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 she is not entitled. In the event that Ms Sirbu's employment is terminated without cause she is entitled to six month base salary and a prorated share of the annual bonus.
Other:	Ms Sirbu is based in San Francisco, California, USA and has an open-ended employment contract with no non-solicitation or non-compete obligations, as such obligations are not enforceable under Californian law. Ms Sirbu received the following sign-on equity awards in lieu of forgone benefits and incentives from her previous employment and to provide alignment with shareholder outcomes: • A combination of 1,030,097 Options and 1,030,097 ('RSAs') subject to time-based vesting conditions as follows: 25% will vest on the first anniversary post grant date with remaining 75% to vest in monthly prorated instalments over the 36 months following this date; and • 27,391 RSAs equivalent to $50,000 vesting on the one-year anniversary of employment. The Board in approving the sign-on award note the quantum was in line with desired target position between 50th and 75th percentile of the external market benchmark data for this role and determined Ms Sirbu will not be eligible to participate in the 2021 LTI plan given commencement date in role (28 September 2020) and receipt of a 2020 LTI equity award at sign-on.

KURT JOHNSON	Executive Chair
Base Salary:	$325,000 per annum
Incentives:	The Board in reviewing the proposed remuneration structure for the Executive Chair considered Mr Johnson's preference that any variable reward opportunity offered was directly aligned with shareholder outcomes in the form of a performance-based equity award. Mr Johnson was offered a target incentive opportunity of up to 300% of fixed remuneration under the Company's 2020 LTI plan (see section 2.f). The Board decided upon the quantum in recognition of the role forgoing any potential STI opportunity and its transitionary nature. Mr Johnson has been granted 946,000 performance rights under this plan as approved at the 2020 AGM. The award has a two-year performance period measured solely on a relative TSR hurdle.
Benefits:	Mr Johnson is entitled to participate in the Company's employee benefit plans, details of which are provided under Mr Chandler's arrangements. Mr Johnson also receives accommodation proximate to the Company's head office in San Francisco and if the Company is not able to provide such accommodation it will reimburse Mr Johnson's reasonable accommodation costs; and a travel stipend of $600 per week in which Mr Johnson commutes to the San Francisco office.
Termination:	Mr Johnson's employment relationship is at-will and either Mr Johnson or the Company may terminate his employment at any time without any advance notice. The contract of employment with Mr Johnson commenced 1 April 2020 and ends 30 April 2021, unless terminated earlier or extended at the discretion of the Board.
Other:	Mr Johnson is based in Camarillo, California, USA and has no non-solicitation or non-compete obligations, as such obligations are not enforceable under Californian law. Mr Johnson in FY20 received 100,000 fully paid shares in recognition of his additional contribution in FY19 that was approved at the Company's AGM, which are subject to voluntary escrow restrictions until the release of the Company's financial results for 2020 and ceasing the Executive Chair role.

2.e. Short-term incentive plans

Key features of the 2020 plan:

How is it paid?	Cash
How much can Executives earn?	Executives have a target opportunity based on a percentage of their fixed salary that varies by role and has been set with reference to comparable roles in similar companies. A total of 26 employees participate in the plan. The maximum STI opportunity an Executive can earn is 112% of the target.
What is the Financial Gateway?	A minimum level of Group financial performance is required to be achieved to ensure alignment with shareholder outcomes prior to executives being eligible to receive an award under the plan. For 2020 the Board determined the minimum level required was 90% of the Board approved Operating EBITDA target (financial gateway).
How is it funded?	Upon achievement of the financial gateway, the Board will determine the pool size through an assessment of Group Performance as follows: 1. Financial Performance against EBITDA, setting ranges: • Between 90-99% of EBITDA – 70-99% of the target pool vests; • At 100% of EBITDA – 100% of target pool vests; • 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. Refer to Section 4 for actual results.

How is performance measured?

Balanced scorecard

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 measures	Up to 80%	Revenue[1] (up to 30%) ARR (up to 30%) EBITDA (up to 20%)
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%

- Operating EBITDA assessed on a pass/fail basis.

Malus and claw back	Malus and claw back apply to any awards made under this plan.
When is it paid?	The STI award is determined after the end of financial year following a review of performance against the measures by the CEO and in the case of the CEO, by the Board. The Board approves the final award based on this assessment, and the recommendation of the Remuneration Committee. The amount is paid to an executive following the sign-off of statutory accounts or the announcement of the Group's full year financial results to which the performance period of the award relates.
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 2021?

The Board has reviewed the operation of plan and made the following changes for 2021.

How much can Executives earn?	The maximum STI opportunity an executive can earn will increase to 140% of target from 112% to further incentivise and reward for significant out-performance on ARR and Operating EBITDA financial measures.
How is performance measured?	An executives' performance will continue to be assessed through a Balanced Scorecard with the weighting on Financial Objectives limited to 80%.

A summary of the measures and weightings are set out below:

	WEIGHTING	MEASURES (KEY PERFORMANCE INDICATORS)
Financial measures	Up to 80%	ARR and Operating EBITDA
Non-financial measures	Up to 20%	Management by objectives Role specific

Financial measures

The key change relates to measures within financial objectives and outcome determination. This will now be assessed jointly via a matrix reflecting growth of the business (ARR) and the investment made to achieve that and future growth (Operating EBITDA).

The limits of the matrix (ranging 60-150% score) have been set with reference to ARR and Operating EBITDA outcomes against the Board approved targets and will be disclosed retrospectively due to their sensitive nature.

A zero outcomes will occur if either the:

- The ARR outcome is less than 85% of target; or
- The Operating EBITDA loss outcome is a loss greater than 20% of the target, with the Board maintaining discretion if this instance occurs jointly with significant outperformance against ARR.

Non-financial measures

There is no financial gateway for non-financial measures and the maximum opportunity is 100%.

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

Remuneration Report (Audited)

2.f. Long-term incentive plans

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, four LTI plans are referred to within this Report:

1. 2020 LTI plan (reflecting changes to awards granted post the IPO);
2. 2021 LTI plan (reflecting minor changes to the 2020 LTI plan);
3. 2019 LTI plan (awards granted in November 2019 to coincide with the IPO); and
4. Historical LTI plan (outstanding awards granted prior to April 2019).

2020 LTI plan

How is it paid?	Executives are eligible to receive performance rights (being a right to acquire an ordinary share at zero consideration).
How much can Executives earn?	The CEO had a target LTI opportunity of up to 100% of fixed remuneration and Executives had a target LTI opportunity of up to 60% of their respective total fixed remuneration. The details and rationale relating to the opportunity provided to the Executive Chair under this plan are provided further down. The number of performance rights issued will be determined by the dividing the AUD equivalent award value by the share price as at close of trading on 31 December 2019 (10-day VWAP).
How is performance measured?	Awards are subject to two measures equally weighted: relative Total Shareholder Return and Revenue performance hurdle. **Relative TSR** The Company's TSR over the relevant Vesting Period will be assessed against the relative TSR performance of the companies in the S&P/ASX All Technology Index (XTX) (**Comparator Group**). The proportion of Rights that will vest will be determined by reference to the percentile ranking of the Company's TSR performance relative to the TSR performance of the Comparator Group during the relevant Vesting Period, in accordance with the following vesting schedule:

COMPANY'S TSR RELATIVE TO COMPARATOR GROUP	PERCENTAGE VESTING
Below the 50^{th} percentile	0%
At the 50^{th} percentile	50%
Greater than the 50^{th} percentile less than 75^{th} percentile	Pro-rata straight-line basis 50% to 100%
Equal to or greater than the 75^{th} percentile	100%

How is performance measured? (continued)	**Revenue performance hurdle** The proportion of Rights that will vest will be determined by reference to the Company's compound annual revenue growth during the performance period. The relative revenue performance targets and corresponding vesting percentages are as follows:

COMPANY'S COMPOUND ANNUAL REVENUE GROWTH OVER THE PERFORMANCE PERIOD	PERCENTAGE VESTING
Less than 15%	0%
15%	50%
Greater than 15% but less than 20%	Pro-rata straight-line basis 50% to 100%
Equal to or greater than 20%	100%

When is performance measured?	Performance is measured at the end of the three-year performance period.
Malus and claw back	Malus applies to any awards made under this plan. Awards will also be subject to claw back for any material financial misstatements in relation to Nitro's performance for the relevant period which are subsequently revealed.
What happens if an Executive leaves?	If a participant ceases employment in 'bad leaver' circumstances (including resignation, dismissal for cause or poor performance), all of their unvested Awards will be forfeited or lapse. Unless otherwise determined by the Board, if a participant ceases employment in 'good leaver' circumstances, such as disability or redundancy, a pro-rata portion of unvested LTI awards will remain on foot subject to any applicable Vesting Conditions and Exercise Conditions set out in the Letter of Invitation and plan rules at the time of award. Any LTI rights that remain on foot may be settled by the company in cash or shares. 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 2021?

For the 2021 awards, the Board has determined the existing structure of the plan with the dual hurdles of relative TSR and Company Revenue CAGR issued in performance rights continues to meet with the design principles of generating strong alignment with shareholder outcomes by encouraging a focus on long-term decision making. The Board has approved minor changes within the plan operation, including:

- The CEO's target opportunity will be up to 240% of fixed remuneration subject to shareholder approval at the 2021 AGM;
- An increase in the hurdle rate (the point at which vesting commences) for the Company's Revenue CAGR target to 25% from 15% (2020 grant); and
- The inclusion in the rTSR performance calculation methodology of a 20-day smoothing element based on the volume weighted average price.

Future awards may be subject to different hurdles as the business matures.

Remuneration Report (Audited)

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.

<table>
<tr><td>How is it paid?</td><td>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 after the end of the performance period unless determined otherwise earlier by the Board.</td></tr>
<tr><td>How much can Executives earn?</td><td>The grant size was determined based on an assessment of pre-existing awards and competitive positioning against market prior to IPO.</td></tr>
<tr><td>When is performance measured?</td><td>The grant has been issued in three tranches with performance period commencing 1 January 2019 for tranches 2 and 3 as follows:

<table>
<tr><th>TRANCHE</th><th>WEIGHTING</th><th>PERFORMANCE PERIOD</th></tr>
<tr><td>1</td><td>33%</td><td>Immediately exercisable upon completion of IPO</td></tr>
<tr><td>2</td><td>33.5%</td><td>24 months ending 31 December 2020</td></tr>
<tr><td>3</td><td>33.5%</td><td>36 months ending 31 December 2021</td></tr>
</table></td></tr>
<tr><td>How is performance measured?</td><td>
<table>
<tr><th>TRANCHE</th><th>WEIGHTING</th><th>PERFORMANCE PERIOD</th></tr>
<tr><td>1</td><td>33%</td><td>Event based: IPO completion 100% vest and exercisable.</td></tr>
<tr><td>2</td><td>33.5%</td><td>Gateway FY19 Revenue outlined in the Prospectus with Vesting Outcomes subject to FY20 Revenue as outlined below.</td></tr>
<tr><td>3</td><td>33.5%</td><td>Performance against Board approved target FY21 Revenue will be assessed subject to Vesting Outcomes as outlined below.</td></tr>
</table>
Revenue performance against targets for tranches 2 and 3 will be assessed as follows:

<table>
<tr><th>TARGET REVENUE</th><th>VESTING OUTCOME</th></tr>
<tr><td>Below 100th percentile</td><td>0%</td></tr>
<tr><td>Up to and including 100th percentile</td><td>50%</td></tr>
<tr><td>Greater than 100th percentile but less than 120th percentile</td><td>Pro rata straight line basis 50-100%</td></tr>
<tr><td>Equal to or greater than the 120th percentile</td><td>100%</td></tr>
</table>
Tranches will not be subject to retesting.</td></tr>
<tr><td>Claw back and Malus</td><td>Awards are subject to claw back and Malus as detailed in the plan rules (clauses 20 and 21) lodged with the ASX.</td></tr>
<tr><td>What happens if an Executive leaves?</td><td>Consistent with the 2020 LTI plan.</td></tr>
</table>

What happens if there is a change of control?	Consistent with the 2020 LTI plan.
Are Executives eligible for dividends?	Consistent with the 2020 LTI plan.

Historical LTI plan

Prior to IPO, the Company granted options and share awards 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 the total outstanding awards held by Executives at 31 December 2020, including those still subject to vesting criteria and vested but not yet exercised.

Executive	Sam Chandler (CEO)	
Grant date	25 Nov 11	28 Feb 16
Number of options granted	3,159,900	1,586,421
Options vested as at 31 December 2020	3,159,900	1,546,758
Unvested options	0	39,663
Exercise price currency	AUD	USD
Exercise price	0.2048	0.3089
Performance hurdle	NA	NA
Vesting period	NA	60 months
Vesting conditions	NA	Options vest on a straightline basis over the vesting period subject to accelerated vesting conditions. Accelerated vesting for 12 months on date of grant.
Cessation of employment	The company has agreed that all unvested options under the Historical LTIP will vest immediately if the Executive is terminated other than or cause, or resigns for good reason, in the 12 months following Completion.	

Remuneration Report (Audited)

3. Performance pay outcomes

(Linking Group performance to peformance pay for 2020)

The Group delivered strong results for our shareholders with Total Shareholder Return ('TSR') of 96%, a result above the 90th percentile of our market peer group (S&P/ASX All Technology Index (XTX) inception companies) for the period 1 January to 31 December 2020.

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

- ARR of $27.7 million, achieving 103% of Board approved STI ARR target;
- Growth of Revenue +13% YoY to $40.2 million, achieving 97% of STI revenue target;
- Operating EBITDA loss of ($2.4) million, $1.6 million, better than Prospectus forecast; and
- For 2020 the achievement of 140% of the Board approved operating EBITDA target resulted in the maximum funding of the pool at 112%.

The 2020 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	$	OPPORTUNITY (% OF FIXED)	ACTUAL EARNED AS A MAXIMUM OPPORTUNITY $
Sam Chandler	98%	67%	73%	219,253	75%	98%
Ana Sirbu[1]	100%	48%	54%	43,680	54%	100%

1. Outcome for Ana Sirbu reflects prorated opportunity for 2020.

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.

	2020	2019	2018	2017[1]	2016[1]
ARR ($m)	**27.70**	16.90	10.20	4.40	–
Revenue ($m)	**40.20**	35.67	32.41	26.74	28.39
NPAT ($m)	**(7.54)**	(7.93)	(5.52)	(12.40)	(17.45)
Share price at year end (A$)	**3.20**	1.63	NA	NA	NA
Total Shareholder Return	**96%**	-5%	–	–	–
Basic EPS (cents)	**(0.04)**	(0.11)	(0.08)	–	–
Total Dividends	**NA**	NA	NA	NA	NA

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

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.

Tranche two of the 2019 LTI plan required 100% of FY19 and FY20 Prospectus target revenue to be met for pro rata vesting to commence at 50% (section 2.f). The FY20 Revenue result of $40.2 million was a 99.3% attainment of this target. With the FY20 financial outperformance on ARR and Operating EBITDA, the Board elected to exercise discretion and deemed the target to be met resulting in a vesting outcome of 50% to eligible participants.

4. Actual performance pay

Executive remuneration actual cash received

The actual remuneration received by Executives in FY20 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 FY20 and the value of LTIs 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 and performance rights that have been awarded but which may or may not vest.

With Kurt Johnson and Richard Wenzel having performed roles in both an Executive and Non-Executive Director capacity throughout FY20, this table includes their Non-Executive Director fees received.

EXECUTIVES	FIXED	DIRECTOR FEES	STI	LTI VESTED	TOTAL
NOTE	1	2	3	4	=1+2+3+4
Sam Chandler	313,452	–	184,586	601,732	1,099,770
Kurt Johnson	325,231	31,500	–	221,888	578,619
Ana Sirbu	81,069	–	–	–	81,069
Former Executives					
Kathleen Miller	88,796	–	208,575	471,985	769,356
Richard Wenzel	119,820	30,000	48,275	–	198,095

1. Includes salary, superannuation, other monetary and non-monetary benefits.
2. Director fees relate to fees paid in relation to their Non-Executive capacity.
3. STI amounts paid in 2020 (FY20) relating to 2019 (FY19) award.
4. Intrinsic value of LTI that vested throughout 2020 (calculation applied Share Price at year end and the annual average FX rate AUD 1 = USD 0.6934).

Remuneration Report (Audited)

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 2020. 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 FY20 refer to the Performance Pay Outcomes section of the Report.

		SHORT TERM					
	YEAR	SALARY	DIRECTOR FEES	STI CASH BONUS	OTHER MONETARY BENEFITS	NON-MONETARY BENEFITS	TOTAL
Sam Chandler	**2020**	**300,000**	**–**	**219,253**	**–**	**13,452**	**532,705**
	2019	300,000	–	184,586	18,000	11,676	514,262
Kurt Johnson[1]	**2020**	**235,000**	**31,500**	**–**	**–**	**90,231**	**356,731**
	2019	–	89,985	–	–	–	89,985
Ana Sirbu[2]	**2020**	**80,769**	**–**	**43,680**	**300**		**124,749**
	2019	–	–	–	–	–	–
Former Executives							
Kathleen Miller[3]	**2020**	**80,769**	**–**	**–**	**–**	**8,027**	**88,796**
	2019	329,808	–	208,575	–	27,721	566,104
Richard Wenzel[4]	**2020**	**62,308**	**30,000**	**–**	**82,212**	**5,301**	**179,821**
	2019	225,000	–	48,275	18,000	18,694	309,969
Total Executive	**2020**	**758,846**	**61,500**	**262,933**	**82,512**	**117,011**	**1,282,802**
	2019	854,808	89,985	441,436	36,000	58,091	1,480,320

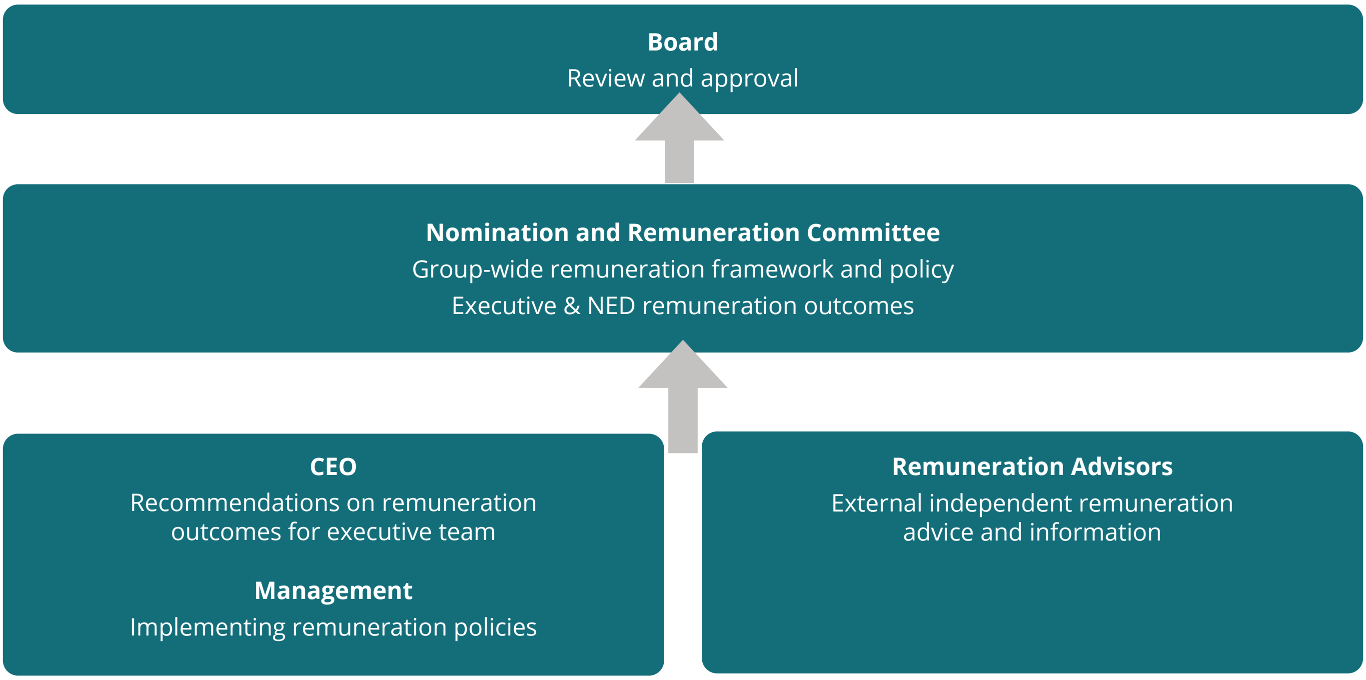
1. Appointed Executive Chair effective 1 April 2020 and ceased role of Independent Non-Executive Chair. Assumed CFO role in acting capacity for the period 1 April to 27 September 2020. Non-monetary benefits relate to travel and accommodation.
2. Commenced CFO role 28 September 2020.
3. Ceased CFO role effective 31 March 2020.
4. Assumed Non-Executive role effective post retirement as Executive Director and Senior Vice President of Tax and Treasury effective 1 April 2020. Other monetary benefits relate to reimbursement of relocation expenses.

		LONG TERM				
POST EMPLOYMENT BENEFITS	ANNUAL LEAVE	OPTIONS AND RIGHTS (TIME -BASED VESTING)	OPTIONS AND RIGHTS (PERFORMANCE BASED)	TOTAL SHARE-BASED PAYMENTS	TOTAL	% PERFORMANCE RELATED
–	**–**	***8,762***	***136,008***	**144,770**	**677,475**	**52%**
–	35,383	*36,641*	*222,473*	259,114	**808,759**	50%
–	**–**	**106,377**	**402,755**	**509,132**	**865,863**	**47%**
–	–	–	–	–	**89,985**	0%
–	**–**	**419,062**	**28,584**	**447,646**	**572,395**	**13%**
–	–	–	–	–	**–**	–
–	**–**	**3,628**	**–**	**3,628**	**92,424**	**0%**
–	4,276	*285,624*	*74,162*	359,786	**930,166**	30%
2,850					**182,671**	**0%**
–	25,962	–	*37,081*	37,081	**373,012**	23%
2,850	**–**	**537,829**	***567,347***	**1,105,176**	**2,390,828**	
–	65,621	*322,265*	*333,716*	655,981	**2,201,922**	–

Remuneration Report (Audited)

5. Governance

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



The composition of the Nomination and Remuneration Committee is set out on pages 16 and 17 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 prepare and provide information as an input to its decision making process.

During the year the Committee appointed Aon Advisory Australia Pty Ltd and Compensia Inc to provide remuneration advisory services. Such services were provided to the Committee free from any undue influence by management.

ADVISOR	DESCRIPTION OF SERVICES	FEE (USD)
Aon Advisory Australia Pty Ltd	Remuneration Advisory	$20,799
Aon Advisory Australia Pty Ltd	Valuation Services	$16,256
Aon Consulting Inc	Benchmarking Data	$14,130
Compensia Inc	Remuneration Advisory and Benchmarking Data	$10,713

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

- Board discretion to reduce, cancel or claw back 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 Non-Executive Directors, Executives and any other persons designated by the Board from time to time. This is set out at https://ir.gonitro.com/investor-centre/?page=corporate-governance.

6. 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 in 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 in 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 Non-Executive Directors are called upon to carry out duties or services that the Board considers to be in addition to the ordinary duties of the office. These special duties may include serving on ad hoc projects or transaction-focused committees.

For the year ended 31 December 2020, Directors' fees were unchanged from 1 July 2019 prior to listing.

This Report is presented in the Company's functional currency of USD. In limited instances where there have been translation of balances relating to Non-Executive Director disclosure the exchange rates applied is AUD 1 = USD 0.685.

The table below details the fees payable to the Non-Executive Directors excluding superannuation and pension related contribution:

BASE FEES	
Non-Executive Chairman	126,000
United States Non-Executive Director	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 FY20 is reported in the statutory remuneration table disclosed below on page 50 of this Report.

With Kurt Johnson and Richard Wenzel having performed roles in both an Executive and Non-Executive Director capacity throughout FY20 their statutory remuneration disclosure, including Non-Executive Director fees received for FY20 and FY19 have been included in the Executive table on page 46 and 47 of the Annual Report.

Remuneration Report (Audited)

Amounts paid to Non-Executive Directors

		SHORT-TERM BENEFITS			POST EMPLOYMENT	
		SALARY AND FEES	NON-MONETARY BENEFITS	TOTAL	SUPER-ANNUATION	TOTAL
Michael Brown[1]	**2020**	**57,600**		**57,600**	**–**	**57,600**
	2019	3,252	–	3,252	–	3,252
John Dyson[1]	**2020**	**61,200**	**–**	**61,200**	**–**	**61,200**
	2019	3,455	–	3,455	–	3,455
Lisa Hennessy[2]	**2020**	**72,000**	**–**	**72,000**	**6,840**	**78,840**
	2019	27,170	–	27,170	748	27,918
Sarah Morgan[2]	**2020**	**72,000**	**–**	**72,000**	**6,840**	**78,840**
	2019	33,602	–	33,602	748	34,350
Former Non-Executive Director						
Andrew Barlow[3]	**2020**	**40,800**	**9,590**	**50,390**	**3,876**	**54,266**
	2019	54,703	–	54,703	2,693	57,396
Total	**2020**	**303,600**	**9,590**	**313,190**	**17,556**	**330,746**
	2019	**122,182**	**–**	**122,182**	**4,189**	**126,371**

1. John Dyson and Michael Brown are Directors of Starfish Ventures and Battery Ventures, respectively, and fees payable for services are paid to the underlying shareholder they represent.
2. Australian dollar equivalents for salary and fees aggregate $105,308, which is higher than the approved remuneration of A$100,000, but within the aggregate fee pool.
3. Ceased role on 25 August 2020. Non-monetary benefits relate to reimbursement of legal fees.

Maximum aggregate fee pool

The current maximum aggregate fee pool is US$1,000,000. Denominating the fees and the fee pool in USD 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 2021 AGM.

7. Additional statutory disclosures

Transactions with related parties

During the year ended 31 December 2020, there were no transactions with related parties.

KMP equity holdings

Reconciliation of ordinary share movement during the year. This includes shares held directly, indirectly, and beneficially by KMP.

	NUMBER OF SHARES				
	1 JAN 20	GRANTED AS REMUNERATION	ACQUIRED THROUGH EXERCISE OF OPTIONS	SOLD	31 DEC 20
Non-Executive Directors					
Michael Brown[1]	24,872,515	–	–	(8,282,547)	16,589,968
John Dyson[2]	26,216,244	–	–	(8,683,462)	17,532,782
Lisa Hennessy	37,248	–	–	–	37,248
Sarah Morgan	37,275	–	–	–	37,275
Richard Wenzel[3]	9,650,188	–	–	–	9,650,188
Former Non-Executive Directors					
Andrew Barlow[4]	4,562,528	–		–	4,562,528
Executives					
Sam Chandler	9,191,880	–	–	–	9,191,880
Kurt Johnson[5]	–	100,000	–	–	100,000
Ana Sirbu[6]	–	1,057,488	–	–	1,057,488
Former Executive					
Kathleen Miller[7]	–	–	–	–	–
Total equity shares held	**74,567,878**	1,157,488	–	**(16,966,009)**	**58,759,357**

1. Includes shares held by Battery Investment Partners X, LLC and Battery Ventures X, L.P., who hold 165,897 and 16,424,071 shares, respectively, subject to voluntary escrow restrictions until the release of the Company's financial results for 2020.
2. Includes shares held by Starfish Technology Fund II, LP, who holds 17,532,782 shares subject to voluntary escrow restrictions until the release of the Company's financial results for 2020.
3. Non-Executive role effective 1 April 2020.
4. Shareholding as at date of ceasing Director role on 25 August 2020.
5. Granted at 2020 AGM on appointment to Executive Chair role, fair value of AUD 1.60 at 29 May 2020. Subject to voluntary escrow restrictions until the release of the Company's financial results for 2020 and ceasing the Executive Chair role.
6. Granted at commencement of role, fair value AUD 2.56 at 23 Sept 2020. Grant is subject to time-based vesting restrictions as detailed in section 2d.
7. This information relates to the period the Executive was a KMP; refer section 1.

Reconciliation of performance rights movement (detailing awards, vested outcome during the year)

KMP	PLAN	GRANT DATE	HURDLE	FAIR VALUE AT GRANT	EXERCISE PRICE	VESTING DATE	MOVEMENT 1 JAN 20	GRANTED (AWARDS)	EXERCISED	OTHER CHANGES	AT YEAR END 31 DEC 20	VESTED	EXERCISABLE
Executives													
Sam Chandler	2020 LTI	29 May 20	rTSR	AUD 1.20	AUD 0.00	31 Dec 22	–	133,500	–	–	133,500	–	–
			Revenue	AUD 1.60	AUD 0.00		–	133,500	–	–	133,500	–	–
	2020 LTI[1]	29 May 20	rTSR	AUD 1.20	AUD 0.00	31 Dec 22	–	42,000	–	–	42,000	–	–
			Revenue	AUD 1.60	AUD 0.00		–	42,000	–	–	42,000	–	–
Subtotal							–	**351,000**	**–**	**–**	**351,000**	**–**	**–**
Kurt Johnson	2020 LTI	29 May 20	rTSR	AUD 1.14	AUD 0.00	31 Dec 21		946,000	–	–	946,000	–	–
Ana Sirbu	2020 LTI	23 Sep 20	rTSR	AUD 2.19	AUD 0.00	31 Dec 22	–	114,455	–	–	114,455	–	–
			Revenue	AUD 2.56	AUD 0.00		–	114,455	–	–	114,455	–	–
							–	**228,910**			**228,910**		
Total							–	**1,525,910**	–	–	**1,525,910**	–	–

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

Reconciliation of options movement (detailing awards, vested outcome, and expiry during the year)

								MOVEMENT					AT YEAR END	
KMP	PLAN	YEAR	TRANCHE	GRANT DATE	FAIR VALUE AT GRANT	EXERCISE PRICE	EXPIRY DATE	1 JAN 20	GRANTED (AWARDS)	EXER-CISED	OTHER CHANGES	31 DEC 20	VESTED	EXER-CISABLE
Non-Executive Director														
Richard Wenzel[1]	2019 LTI	2019	1	13 Nov 19	AUD 0.69	AUD 1.72	11 Dec 29	53,289	–	–	–	53,289	53,289	53,289
			2					54,090	–	–	(54,090)	–	–	–
			3					54,090	–	–	(54,090)	–	–	–
Subtotal								**161,469**	**–**	**–**	**(108,180)**	**53,289**	**53,289**	**53,289**
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[2]	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[2]	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	1,546,758	1,546,758
	2019 LTI	2019	1	13 Nov 19	AUD 0.69	AUD 1.72	11 Dec 29	319,716	–	–	–	319,716	319,716	481,991
			2					324,549	–	–	(162,274)	162,275	162,275	162,275
			3					324,549	–	–	–	324,549	–	–
	2019 LTI	2019	1	13 Nov 19	AUD 0.69	AUD 1.72	11 Dec 29	53,289		–	–	53,289	53,289	53,289
			2					54,090		–	(27,045)	27,045	27,045	27,045
			3					54,090	–	–	–	54,090	–	–
Subtotal								**8,467,794**	**–**	**–**	**(189,319)**	**8,278,475**	**7,860,173**	**7,860,173**
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
Ana Sirbu	ESOP	2020		23 Sep 20	AUD 1.33	AUD 2.49	23 Sep 30	–	1,030,097		–	1,030,097	–	–
Former Executive														
Kathleen Miller[1-3]	Historical LTI	2019		25 Mar 19	USD 0.21	USD 0.39	24 Mar 29	1,754,586	–	–	(774,218)	980,368	980,368	980,368
	2019 LTI	2019	1	13 Nov 19	AUD 0.69	AUD 1.72	11 Dec 29	106,578		–	–	106,578	106,578	106,578
			2					108,180		–	(108,180)	–	–	–
			3					108,180	–	–	(108,180)	–	–	–
Subtotal								**2,077,524**	**–**		**(990,578)**	**1,086,946**	**1,086,946**	**1,086,946**
Total								**11,447,307**	**1,030,097**		**(1,288,077)**	**11,189,327**	**9,740,928**	**9,740,928**

1. 'Other changes' relate to forfeit of options on cessation of Executive role.
2. The beneficial interest in the option is held by a relative of the KMP.
3. This information relates to the period the Executive was a KMP; refer to section 1.

Remuneration Report (Audited)

Executive option holdings – future vesting profile

EXECUTIVE	PLAN	YEAR	GRANT AMOUNT	% VESTING PREVIOUS PERIODS	VESTING % 2020	% INCENTIVE AT RISK	VESTING % 2021	VESTING % 2022	VESTING % 2023	VESTING % 2024
Sam Chandler	2019 LTI	2019	968,814	33%	17%	34%	Subject to performance hurdles and vesting conditions being met as detailed on page 42 of the Annual Report			
	Historical LTI	2016	1,586,421	83%	15%	2%	2%	0%	0%	0%
Ana Sirbu	ESOP	2020	1,030,097	NA	0%	100%	31%	25%	25%	19%
	RSA	2020	1,057,488	NA	0%	100%	33%	25%	24%	18%

Auditors' Independence Declaration

Auditor's Independence Declaration

As lead auditor for the audit of Nitro Software Limited for the year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Niamh Hussey
Partner
PricewaterhouseCoopers

Melbourne
24 February 2021

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Financial Statements

Consolidated Statement of Comprehensive Income

US$'000	NOTE	2020	2019
Revenue	4, 5	**40,196**	35,672
Cost of revenues		**(3,778)**	(3,650)
Gross profit		**36,418**	32,022
Sales and marketing		**(21,093)**	(19,064)
Research and development		**(10,238)**	(7,284)
General and administrative		**(10,497)**	(10,652)
Other income/(loss), net	6(a)	**(379)**	1,175
Finance costs		**(151)**	(1,761)
Depreciation and amortisation expense		**(1,716)**	(2,013)
(Loss) before income tax		**(7,656)**	(7,577)
Income tax benefit/(expense)		**116**	(354)
(Loss) for the period		**(7,540)**	(7,931)
Other comprehensive income/(loss)			
Item that may be reclassified to profit or loss			
Adjustment from translation from foreign controlled entities		**339**	(169)
Total comprehensive (loss) for the period		**(7,201)**	(8,100)
Loss per share attributable to equity shareholders			
Earnings per share			
Basic loss per share (US$ per share)[1]	9	**(0.04)**	(0.11)
Diluted loss per share (US$ per share)[1]	9	**(0.04)**	(0.11)

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

US$'000	NOTE	2020	2019 (AS ADJUSTED)
ASSETS			
Current assets			
Cash and cash equivalents	10	**43,749**	47,017
Trade receivables	5(b), 11	**6,659**	4,755
Current tax receivables		**75**	91
Other current assets	11	**2,864**	1,908
Total current assets		**53,347**	**53,771**
Non-current assets			
Property, plant, and equipment	13	**507**	564
Intangible assets		**1**	64
Deferred tax assets	8	**32**	189
Right of use assets		**1,808**	3,058
Other non-current assets	11	**4,263**	3,034
Total non-current assets		**6,611**	6,909
Total assets		**59,958**	60,680
LIABILITIES			
Current liabilities			
Trade payables		**3,077**	2,772
Deferred revenue	5(b)	**21,037**	16,409
Lease liability	15	**1,097**	1,393
Employee benefits	12	**2,877**	2,090
Other current liabilities		**848**	707
Total current liabilities		**28,936**	23,371
Non-current liabilities			
Deferred revenue	5(b)	**1,152**	2,028
Deferred tax liability	8	**–**	344
Lease liability	15	**572**	1,540
Total non-current liabilities		**1,724**	3,912
Total liabilities		**30,660**	27,283
Net assets		**29,298**	33,397
EQUITY			
Contributed equity	14	**90,343**	90,209
Other reserves		**5,012**	1,705
Accumulated losses		**(66,057)**	(58,517)
Total equity		**29,298**	33,397

Consolidated Statement of Changes in Equity

US$'000	CONTRIBUTED EQUITY	TREASURY RESERVE	WARRANT RESERVE	EMPLOYEE EQUITY BENEFITS RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	ACCUMULATED LOSSES	TOTAL EQUITY
As at 1 January 2020	**90,209**	**–**	**76**	**4,548**	**(2,920)**	**(58,517)**	**33,397**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(7,540)**	**(7,540)**
Other comprehensive income							
Exchange differences from translation of foreign operations	**–**	**–**	**–**	**–**	**339**	**–**	**339**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**339**	**(7,540)**	**(7,201)**
Transactions with owners of the Company							
Share based payment expense	**–**	**–**	**–**	**2,968**	**–**	**–**	**2,968**
Shares issued to employee share trust	**6,083**	**(6,083)**	**–**	**–**	**–**	**–**	**–**
Cancellation of shares	**–**	**(4)**	**–**	**–**	**–**	**–**	**(4)**
Exercise of options	**261**	**–**	**–**	**–**	**–**	**–**	**261**
Repurchase of shares	**(102)**	**–**	**–**	**–**	**–**	**–**	**(102)**
Shares issued/allocated to participants	**(457)**	**457**	**–**	**–**	**–**	**–**	**–**
Issuance costs on shares	**(21)**	**–**	**–**	**–**	**–**	**–**	**(21)**
As at 31 December 2020	**95,973**	**(5,630)**	**76**	**7,516**	**(2,581)**	**(66,057)**	**29,298**

US$'000	CONTRIBUTED EQUITY	TREASURY RESERVE	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 period	–	–	–	–	–	(7,931)	(7,931)
Other comprehensive income							
Exchange differences from translation of foreign operations	–	–	–	–	(169)	–	(169)
Total comprehensive loss for the period	–	–	–	–	(169)	(7,931)	(8,100)
Transactions with owners of the Company							
Shares issued on IPO	44,833	–	–	–	–	–	44,833
Shares issued to convertible note holders	6,199	–	–	–	–	–	6,199
Employee share options granted	–	–	–	838	–	–	838
Cancellation of shares	(30)	–	–	–	–	–	(30)
Exercise of options	319	–	–	–	–	–	319
Issuance costs on shares	(3,667)	–	–	–	–	–	(3,667)
As at 31 December 2019	90,209		76	4,548	(2,920)	(58,517)	33,397

Consolidated Statement of Cash Flows

US$'000	2020	2019
Cash flows from operating activities		
Loss for the year	**(7,540)**	(7,931)
Add back		
Depreciation and amortisation	**1,716**	2,013
Share-based payments	**2,968**	838
Finance costs	**151**	1,761
Provision for doubtful debts	**36**	–
Asset write-offs	**7**	–
Net exchange differences	**268**	(1,491)
Change in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	**(4,098)**	(3,466)
(Increase)/decrease in deferred tax assets	**(158)**	(26)
(Increase)/decrease in tax receivable	**(15)**	12
(Increase)/decrease in other receivables	**4**	348
Increase/(decrease) in trade and other payables	**1,469**	1,556
Increase/(decrease) in deferred income	**3,752**	6,475
Increase/(decrease) in provision for income taxes	**20**	24
Increase/(decrease) in net deferred tax liability	**(344)**	344
Income taxes paid	**–**	(99)
Net cash inflow/(outflow) from operating activities	**(1,448)**	358
Cash flows from investing activities		
Payments for property, plant and equipment	**(176)**	(689)
Premiums paid for currency derivatives	**(224)**	–
Receipt of loans from shareholders	**–**	31
Net cash inflow/(outflow) from investing activities	**(400)**	(658)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	**–**	44,833
Proceeds from issue of convertible notes	**–**	5,000
Repayment of convertible notes	**(25)**	–
Proceeds from issue of preference shares	**–**	1,750
Proceeds from exercise of share options	**444**	121
Transaction costs related to issue of shares	**(241)**	(3,446)
Finance cost paid	**(151)**	(511)
Payment for leases	**(1,402)**	(1,182)
Purchase of shares by the employee share trust	**(102)**	–
Repayment of borrowings	**–**	(4,466)
Net cash inflow/(outflow) from financing activities	**(1,477)**	42,099
Net increase/(decrease) in cash and cash equivalents	**(3,325)**	41,799
Cash and cash equivalents at the beginning of the year	**47,017**	4,049
Effect of movement in exchange rates on cash held	**57**	1,169
Cash and cash equivalents at the end of the year	**43,749**	47,017

Notes to the Financial Statements

1. General and corporate information

a. Reporting entity

Nitro Software Limited ('Nitro' or 'the Company') is a for-profit company incorporated and domiciled in Australia and limited by shares publicly traded on the Australian Securities Exchange ('ASX') under the ASX code 'NTO'.

The financial report covers the consolidated financial statements as at and for the year ended 31 December 2020 of Nitro and its subsidiaries (together referred to as 'the Group').

The principal activity of the Group during the financial year was providing document productivity software, including PDF productivity, eSigning workflow, and analytics solutions.

b. Authorisation for issue

These consolidated financial statements have been authorised for issue by a resolution of the Board of Directors on 24 February 2021.

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 2020 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.

		EQUITY HOLDING	
NAME OF THE ENTITY	COUNTRY OF INCORPORATION	2020	2019
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.

Notes to the Financial Statements

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 referred according to 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 AMOUNT	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 5); and
- Share-based payments (Refer note 7).

COVID-19 pandemic

There has been no noticeable impact of the pandemic on the financial performance of the group. However, management has considered the potential impact in performing the impairment assessments and the establishment of the expected credit loss on the financial assets.

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:

- In relation to unbilled receivables related to multi-year, non-cancellable subscription arrangements as explained in note 3; and
- To ensure consistency with the current period, comparative figures have been restated where appropriate.

i. New standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning 1 January 2020, which are as follows:

- *AASB 2018-7* Amendments to Australian Accounting Standards – Definition of Material *(AASB 101 and AASB 108);*
- Revised Conceptual Framework for Financial Reporting and *AASB 2019-1* Amendments to Australian Accounting Standards – References to the Conceptual Framework; and
- AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform *(AASB 7, AASB 9 and AASB 139).*

The new standards effective from 1 January 2020 have no material impact on the Consolidated Financial Statements.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 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.

3. Adjustment of prior period financial information:

Previously the Group had recognised unbilled receivables related to multi-year, non-cancellable subscription arrangements at the contract inception. As practice has further developed since adoption of *AASB 15 Revenue from Contracts with Customers*, we have revisited this policy and concluded that we will recognise the accounts receivable when the right to consideration becomes unconditional. As such, the unbilled receivables and corresponding deferred revenue liabilities will no longer be recognised on the balance sheet; Instead, they will be disclosed in the notes to our financial statements under remaining performance obligations.

The comparative information as at 31 December 2019 has been adjusted to reflect the impact of the above change. As at that date, except as disclosed in the table below, the change does not have any impact on the statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, and the consolidated statement of cash flows.

US$'000	31 DEC 2019 (AS PREVIOUSLY REPORTED)	ADJUSTMENTS	31 DEC 2019 (AS ADJUSTED)
Trade receivables, non-current[1]	13,424	(13,424)	–
Other non-current assets[1]	4,270	(1,236)	3,034
Total non-current assets	21,569	(14,660)	6,909
Total assets	75,340	(14,660)	60,680
Deferred revenue, current	18,930	(2,521)	16,409
Total current liabilities	**25,892**	**(2,521)**	**23,371**
Deferred revenue, non-current	14,167	(12,139)	2,028
Total non-current liabilities	16,051	(12,139)	3,912
Total liabilities	41,943	(14,660)	27,283

1. Comparative amounts have been reclassified to conform with current period presentation.

As at 1 January 2019, the impact of the adjustment to the consolidated balance sheet was a decrease in unbilled receivable of $12.4 million and a decrease in deferred revenue liabilities by the same amount.

Notes to the Financial Statements

4. Segment information

The Group manages its operations as a single business operation and there are no separate parts of the Group that qualify as operating segments. The CEO is the Chief Operating Decision Maker ('CODM') and assesses the financial performance of the Group on an integrated basis as a single segment.

The CODM assesses the Group's performance on a product/service perspective:

- Subscription – being the sale of software-as-a-service ('SaaS') to businesses providing access to the Nitro Productivity Suite, include Nitro Pro and Nitro Sign software solutions; and
- Perpetual licence maintenance and support – being the sale of perpetual licence products (including optional maintenance and support services).

	2020			2019		
US$'000	SUSBCRIPTION	PERPETUAL	TOTAL	SUSBCRIPTION	PERPETUAL	TOTAL
Revenue	21,250	18,946	40,196	13,193	22,479	35,672
Cost of revenues	(1,463)	(2,315)	(3,778)	(1,172)	(2,478)	(3,650)
Gross profit	**19,787**	**16,631**	**36,418**	12,021	20,001	32,022
Gross margin	***93%***	***88%***	***91%***	*91%*	*89%*	*90%*

5. 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.

PRODUCT CHARACTERISTICS US$'000	2020	2019
Subscription	21,250	13,193
Perpetual licences maintenance and support revenue	18,946	22,479
Total revenue	**40,196**	35,672
Subscription revenue as a % of total revenue	***53%***	37%
Perpetual licences maintenance and support revenue as a % of total revenue	***47%***	63%

TIMING OF REVENUE RECOGNITION US$'000	2020	2019
Products and services transferred at a point in time	13,355	15,003
Products and services transferred over time	26,841	20,669
Total revenue	**40,196**	35,672
Revenue recognised at a point in time as a % of total revenue	***33%***	42%
Revenue recognised over time as a % of total revenue	***67%***	58%

b. Receivables and contract liabilities

CONTRACT BALANCES US$'000	2020	2019
ASSETS		
Trade receivables, net	**6,659**	4,755
Capitalised contract acquisition costs	**4,058**	2,825
LIABILITIES		
Deferred revenue	**22,189**	18,437

During the year ended 31 December 2020, approximately $16.4 million (31 December 2019: $15.7 million) of revenue was recognised that was included in the opening balance of deferred revenue.

Please see Note 3 for the adjustment related to deferred revenue as at 31 December 2019 and the related changes to the remaining performance obligations disclosure.

c. Transaction price allocated to remaining performance obligations

Remaining performance obligations represents total contractual commitments for which services will be performed. Remaining performance obligations include deferred revenue, which primarily consists of billings or payments received in advance of revenue recognition and unbilled receivable that have not yet been recognised in the financial statements. The transaction price allocated to remaining performance obligations is approximately $46.7 million as of 31 December 2020. Approximately 53% of the remaining performance obligations are expected to be recognised over the next 12 months with the remainder recognised thereafter.

TRANSACTION PRICE ALLOCATED TO REMAINING PERFORMANCE OBLIGATIONS	FY2021	FY2022	FY2023	FY2024	FY2025	TOTAL
Subscription revenue	22,967	15,076	6,529	51	13	44,636
	51 %	*34%*	*15%*	*0%*	*0%*	*100%*
Maintenance and Support	1,985	80	0	–	–	2,065
	96%	*4%*	*0%*	*0%*	*0%*	*100%*
Total	**24,953**	**15,156**	**6,529**	**51**	**13**	**46,701**
	53%	***33%***	***14%***	***0%***	***0%***	***100%***

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.

Notes to the Financial Statements

TYPE OF PRODUCT OR SERVICE	NATURE AND TIMING OF SATISFACTION OF THE PERFORMANCE OBLIGATIONS, INCLUDING SIGNIFICANT PAYMENT TERMS	REVENUE RECOGNITION POLICIES
Subscription agreements for • Fully hosted subscription services (SaaS) • On-device or desktop software	• 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, but can also be entered into for 12 and 24 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.
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 an 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.

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.

Accounting policy: Contract assets

A contract asset is recognised when an unconditional 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.

Accounting policy: 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 trajectory 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.

Accounting policy: 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 three years. Contract costs in relation to payments to resellers and channel partners are amortised over the length of the contract. 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.

Notes to the Financial Statements

6. Other income and expenses

a. Other income

OTHER INCOME/(EXPENSE) US$'000	2020	2019
Foreign exchange gains/(losses), net	**(521)**	1,135
Interest income	**155**	40
Other income/(loss)	**(13)**	–
Total other income/(expense)	**(379)**	1,175

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

OTHER INCOME/(EXPENSE) US$'000	2020	2019
Wages and salaries	**25,926**	21,194
Superannuation	**117**	78
Share-based payments	**2,968**	837
Employee benefit expenses	**29,011**	22,109

Accounting policy

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.

7. Share-based payments

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. Set out below are the details of the awards under the Current LTIP for the year ended 31 December 2020.

a. Share options

Stock options granted to employees generally vest over a four-year period and expire ten years from the date of grant. Certain awards provide for accelerated vesting upon a change of control. Stock options are generally granted with exercise prices equal to the fair market value of its common stock on the date of grant. During the year, 5,854,718 unlisted options were issued to eligible employees. Of the same, 1,030,097 options were issued to KMP of the Group. The following table summarises the movements in the number of options outstanding as at 31 December 2020.

	OPTIONS			
	2020		2019	
	NO.	WAEP[1]	NO.	WAEP[1]
Outstanding at the beginning of the period	**15,873,129**	**0.5500**	17,375,229	0.3800
Granted during the period	**5,854,718**	**1.9327**	5,129,190	1.0100
Forfeited during the period	**(2,002,562)**	**0.7373**	(5,308,164)	0.5100
Exercised during the period	**(1,128,458)**	**0.4956**	(1,323,126)	0.3300
Outstanding at the end of the period	**18,596,827**	**0.9482**	15,873,129	0.5500
Exercisable at the end of the period	**11,670,617**	**0.4238**	11,366,931	0.4100
Weighted average remaining contractual life in years	**5.83**		5.79	

1. Weighted average exercise price in Australian dollars.

Estimation of fair value

The Company estimates the fair value of the options on the date of grant using the Black-Scholes option-pricing model or the Monte Carlo model for relative Total Shareholder Return ('rTSR') vesting performance grants. These models require the use of highly subjective estimates and assumptions, including expected volatility, expected term, risk-free interest rate, and expected dividend yield.

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 either directly (as prices) or indirectly (derived from prices), respectively.

The fair value of options granted during the year ended 31 December 2020 and year ended 31 December 2019 were estimated on the grant date using the assumptions set out below.

ASSUMPTIONS	2020			2019	
Date of grant	**27 Mar 20**	**24 Jun 20**	**23 Sep 20**	25 Mar 19	13 Nov 19
Date of Expiry	**27 Mar 30**	**24 Jun 30**	**23 Sep 30**	24 Mar 29	11 Dec 29
Exercise price	**AUD 0.9750**	**AUD 1.4700**	**AUD 2.4900**	USD 0.3856	AUD 1.7200
Fair value at grant date	**AUD 0.5400**	**AUD 0.8000**	**AUD 1.3300**	USD 0.2100	AUD 0.6900
Expected price volatility %	**62%**	**62%**	**55.60%**	60%	42%
Dividend yield %	**0%**	**0%**	**0%**	0%	0%
Risk free rate	**0.56%**	**0.53%**	**0.45%**	1%	1%
Remaining contractual life (years)	**9.24**	**9.49**	**9.73**	9.24	9.96

b. Performance rights

The Company recognises share-based payment expense over the vesting term of the performance rights. The fair value is measured based upon the number of units and the closing price of the Company's shares on the date of the grant. Detailed terms and conditions are included in the Remuneration Report on page 40 of the Annual Report.

Market-based vesting conditions

During the period, 1,576,225 performance rights with market-based vesting conditions were issued to the senior executives of the Group. In addition to the requisite service period, these restricted shares contain a market-based vesting condition based on relative total shareholder return.

Notes to the Financial Statements

Relative total shareholder return is defined as increases in our stock price during the performance period as compared to the Company's peer group, ASX All Technology Index (ASX: XTX), expressed as a percentile ranking to be assessed at the end of the performance periods of two and three years.

The probability of the actual shares expected to be awarded is considered in the grant date valuation.

Performance-based vesting conditions

During the period, 630,229 performance rights with performance-based vesting conditions were issued to the senior executives of the Group. In addition to the requisite service period, these stock units contain a performance-based vesting conditions based on internal compound revenue growth rate measure ('CAGR'). The probability of the actual shares expected to be awarded is not considered in the grant date valuation. The share-based payment expense will be adjusted over the vesting period, as further information becomes available to reflect the actual shares awarded.

The following table summarises the movements in the number of restricted shares outstanding as at 31 December 2020.

	PERFORMANCE RIGHTS			
	2020		2019	
	NO.	WAFV[1]	NO.	WAFV[1]
Outstanding at the beginning of the period	–		–	–
Granted during the period	2,206,454	1.5515	–	–
Forfeited during the period	–	–	–	–
Vested during the period	–	–	–	–
Outstanding at the end of the period	**2,206,454**	**1.5515**	–	–

1. Weighted average fair value in Australian dollars.

Estimation of fair value

The Company estimates the fair value the performance rights using the Monte Carlo model for relative Total Shareholder Return ('rTSR') vesting grants. These models require the use of highly subjective estimates and assumptions, including expected volatility, expected term, risk-free interest rate, and expected dividend yield.

The fair value of performance rights granted during the year ended 31 December 2020 were estimated on the grant date using the assumptions set out below:

ASSUMPTIONS	2020			2019
Date of grant	29 May 20	29 May 20	23 Sep 20	–
Date of vesting	31 Dec 21	31 Dec 22	31 Dec 22	–
Share price on grant date	AUD 1.60	AUD 1.60	AUD 2.56	–
Exercise price	AUD 0.00	AUD 0.00	AUD 0.00	–
Expected price volatility %	69.09%	61.69%	65.38%	–
Dividend yield %	0%	0%	0%	–
Risk free rate	0.26%	0.27%	0.17%	–
Remaining contractual life (years)	1	2	2	–
Fair value at grant date	AUD 1.14	AUD 1.20	AUD 2.19	–

c. Share awards

In 2020, the Company issued 2,805,644 shares to the senior executive of the Group of which 1,157,488 were issued to KMP at an exercise price of Nil. Detailed terms and conditions are included in the Remuneration Report on page 36 and 37 of the Annual Report.

These awards generally vest over a period of one to four years. The fair value was measured based upon the closing price of the Company's shares on the date of the award. During the year ended 31 December 2020, the Company recognised share-based payment expense of $1.05 million related to the share award. The following table summarises the movements in the awards granted including the weighted average fair values.

	RESTRICTED SHARE AWARDS			
	2020		2019	
	NO.	WAFV[1]	NO.	WAFV[1]
Outstanding at the beginning of the period	–		–	–
Granted during the period	2,805,644	2.53	–	–
Forfeited during the period	–	–	–	–
Vested during the period	(100,000)	1.60	–	–
Outstanding at the end of the period	**2,705,644**	**2.56**	–	–

1. Weighted average fair value of the award in Australian dollars.

The fair value of the share awards on measurement date is based on the closing market price on the day preceding the grant.

e. Expense summary

For the year ended 31 December 2020, the Group recognised $2.97 million of share-based payment expense in relation to the stock options, performance rights and share awards.

8. 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.

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.

Notes to the Financial Statements

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 **US$'000**	**2020**	**2019**
Current tax expense	**70**	36
Deferred tax expense	**(186)**	318
Income tax (benefit)/expense	**(116)**	354

NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE **US$'000**	**2020**	**2019**
Loss before income tax	**(7,656)**	(7,577)
Tax at the Australian Tax rate of 30% (31 December 2019: 30%)	**2,297**	2,273
Tax effect of amounts which are not deductible in calculating taxable income		
Other (deductible)/non-deductible expenses	**1,234**	(97)
Tax credits	**(114)**	–
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	**(306)**	252
Current year losses for which no deferred tax is recognised	**(2,995)**	(1,520)
	116	(354)

The Group has unused tax losses of $71.49 million (31 December 2019: $58.74 million), which has not been recognised as a deferred tax asset. The unused tax losses were incurred by the Group's United States and Australian 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.

DEFERRED TAX 2020	BALANCE AT 1 JANUARY 2020 US$'000	RECOGNISED IN THE INCOME STATEMENT US$'000	RECOGNISED IN EQUITY US$'000	BALANCE AT 31 DECEMBER 2020 US$'000
Deferred tax asset/(liability)				
Share issue expenses	**11**	**(11)**	**–**	**–**
Provisions and accruals	**147**	**(106)**	**–**	**41**
Movements in currency exchange rates	**(343)**	**343**	**–**	**–**
Property, plant and equipment	**(24)**	**24**	**–**	**–**
Intangibles	**55**	**(65)**	**–**	**(9)**
Net deferred tax asset/(liability)	**(155)**	**186**	**–**	**32**
Deferred tax asset	***189***	**–**	**–**	***32***
Deferred tax liability	***344***	**–**	**–**	**–**

DEFERRED TAX 2019	BALANCE AT 1 JANUARY 2019 US$'000	RECOGNISED IN THE INCOME STATEMENT US$'000	RECOGNISED IN EQUITY US$'000	BALANCE AT 31 DECEMBER 2019 US$'000
Deferred tax asset/(liability)				
Share issue expenses	42	(31)	–	11
Provisions and accruals	63	84	–	147
Movements in currency exchange rates	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*

Notes to the Financial Statements

9. Earnings per share

Basic earnings per share ('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.

US$'000	2020	2019
Net loss attributable to ordinary equity holders	**(7,540)**	(7,931)
Net loss used in calculating diluted earnings per share	**(7,540)**	(7,931)

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES ON ISSUE USED IN THE CALCULATION OF	2020	2019
Basic earnings per share	**189,185,817**	73,133,789
Diluted earnings per share	**189,185,817**	73,133,789

EARNINGS PER SHARE US$	2020	2019
Basic	**(0.04)**	(0.11)
Diluted	**(0.04)**	(0.11)

For the year ended 31 December 2020, the Group's only potential dilutive ordinary shares are share awards granted under the employee share ownership plans. Diluted earnings per share calculation excludes instruments which are considered anti-dilutive. For the year ended year ended 31 December 2020, the effect of these shares was not included in the calculation of diluted earnings per share because they are anti-dilutive for the period(s) presented.

10. Cash and cash equivalents

CASH AND CASH EQUIVALENTS US$'000	2020	2019
Bank balances	**43,749**	47,017

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

11. Trade and other receivables

TRADE AND OTHER RECEIVABLES US$'000	2020	2019
Trade receivables, net	**6,659**	4,755
Contract acquisition costs, net	**4,058**	2,825
Prepayments	**1,839**	1,324
Other receivables due from related parties	**–**	120
Others	**1,229**	673
	13,785	9,697
Trade and other receivables		
Current	***9,522***	*6,663*
Non-current	***4,263***	*3,034*

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.

LOSS ALLOWANCE US$'000	2020	2019
Loss allowance at the beginning of the year	**25**	87
(Reversal)/provision for loss allowance	**36**	(41)
Write-offs	**(31)**	(30)
Recovery of balances written off	**–**	9
Loss allowance at the end of the year	**30**	25

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.

Quality of receivables and loss allowance

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.

TRADE RECEIVABLES US$'000	2020			2019		
	AMOUNT	LOSS ALLOWANCE	RATE	AMOUNT	LOSS ALLOWANCE	RATE
Current	**5,651**	**24**	**0.43%**	3,732	20	0.54%
0 to 30 days overdue	**845**	**5**	**0.57%**	778	4	0.52%
31 to 60 days overdue	**150**	**0**	**0.25%**	121	0	0.26%
61 to 90 days overdue	**43**	**1**	**1.80%**	124	1	0.52%
More than 90 days overdue	**–**	**–**		–	–	
Total	**6,689**	**30**	**0.45%**	4,755	25	0.53%

Notes to the Financial Statements

12. Employee benefits

EMPLOYEE BENEFIT LIABILITIES US$'000	2020	2019
Accrued wages	**2,302**	1,493
Annual leave	**567**	593
Long service leave	**8**	4
	2,877	2,090

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.

13. Property, plant and equipment

RECONCILIATION OF CARRYING AMOUNTS 2020 US$'000	PLANT AND EQUIPMENT	FURNITURE, FITTINGS AND EQUIPMENT	LEASEHOLD IMPROVEMENTS	TOTAL
Carrying value at the beginning of the year	**125**	**30**	**409**	**564**
Additions	**159**	**–**	**17**	**176**
Amortisation	**(79)**	**(14)**	**(167)**	**(260)**
Disposals	**154**	**–**	**7**	**161**
FX adjustments	**(146)**	**–**	**12**	**(134)**
Carrying value at the end of the year	**213**	**16**	**278**	**507**

AS AT 31 DECEMBER 2020				
Cost	**602**	**143**	**611**	**1,356**
Accumulated depreciation	**(389)**	**(127)**	**(333)**	**(849)**
Carrying value at the end of the year	**213**	**16**	**278**	**507**

RECONCILIATION OF CARRYING AMOUNTS 2019 US$'000	PLANT AND EQUIPMENT	FURNITURE, FITTINGS AND 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	306	409	564

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 three to five 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.

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 Financial Statements

14. Equity shares

	EQUITY SECURITIES			
	2020		2019	
	NO.	US$'000	NO.	US$'000
Balance at the beginning of the year	**188,928,996**	**90,209**	66,045,285	628
Exercise of options and warrants	**1,149,824**	**261**	1,456,854	289
Shares issued to the employee share trust	**3,705,644**	**6,083**	–	–
Shares acquired by the employee share trust		**(102)**	–	–
Shares allocated to participants from the employee share trust	**(611,242)**	**(457)**	–	–
Shares withheld in relation to cashless exercise of options	**(114,700)**	**–**	–	–
Issue of shares on IPO	**–**	**–**	38,249,649	44,833
Conversion of preference shares to ordinary shares	**–**	**–**	77,872,509	41,927
Issue of shares on conversion of notes	**–**	**–**	5,304,699	6,199
Expenses directly attributable to the issue of shares	**–**	**(21)**	–	(3,667)
Balance at the end of the year including treasury shares	**193,058,522**	**95,973**	188,928,996	90,209
Treasury shares unallocated	**(3,103,965)**	**(5,630)**	–	–
Balance at the end of the year excluding treasury shares	**189,954,557**	**90,343**	188,928,996	90,209

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.

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 shares were converted to ordinary shares prior to the completion of the IPO.

c. Options

As at 31 December 2020 there were 18,596,827 vested and unvested options on issue, and as at 31 December 2019: 15,873,129) vested and unvested options on issue (refer note 7 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.

The treasury reserve is used to hold the book value of shares held by the Employee Share Trust for future issue to participants on exercise of options, performance rights and share awards.

Treasury shares

During the year ended 31 December 2020, the Group established an Employee Share Trust ('Trust') for the purpose of issuance of shares to participants on exercise of options/settlement of performance rights.
The balance in Treasury Reserve as at 31 December 2020 represents book value of 3,103,965 shares held by the Trust for future issue to participants on exercise of options/settlement of performance rights. The movement of treasury shares is as follows:

	TREASURY SHARES			
	2020		2019	
	NO.	US$'000	NO.	US$'000
Balance at the beginning of the year	–	–	–	–
Issue of shares to the employee share trust	3,705,644	6,083	–	–
Shares allocated to participants from the employee share trust	(611,242)	(457)	–	–
Forfeited shares bought back	9,563	4	–	–
Balance at the end of the year	3,103,965	5,630	–	–

15. Leases and Right to use assets

RECONCILIATION OF CARRYING AMOUNTS OF RIGHT OF USE ASSETS US$'000	2020	2019
Carrying value at the beginning of the year	3,058	–
Additions	–	4,105
Amortisation	(1,393)	(1,003)
FX adjustments	143	(44)
Carrying value at the end of the year	1,808	3,058

US$'000	2020	2019
Cost	4,314	4,064
Accumulated depreciation	(2,506)	(1,006)
Carrying value at the end of the year	1,808	3,058

LEASE LIABILITIES – MATURITY ANALYSIS US$'000	2020	2019
Contractual undiscounted cashflows		
Less than one year	1,204	1,513
One to five years	536	1,621
Total undiscounted lease liabilities as at the end of the year	1,740	3,134
Lease liabilities included in the statement of financial position	1,669	2,933
Current	*1,097*	1,393
Non-current	*572*	1,540

Notes to the Financial Statements

AMOUNTS RECOGNISED IN PROFIT OR LOSS US$'000	2020	2019
Interest on lease liabilities	140	164
Expenses relating to short-term leases	81	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 US$'000	2020	2019
Total cash outflow for leases	1,402	1,182

Accounting policy

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 is 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 reasonably 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.

Reconciliation of movements of liabilities to cash flows arising from financing activities

	2020	2019			
USD'000	LEASE LIABILITIES	LEASE LIABILITIES	BANK LOANS	CONVERTIBLE NOTES	TOTAL
Balance as at the beginning of the year	**2,933**	–	4,442	–	4,442
Proceeds from issue of convertible notes	**–**	–	–	5,000	5,000
Payment for leases	**(1,402)**	(1,182)	–	–	(1,182)
Repayment of borrowings	**–**	–	(4,442)	(24)	(4,466)
Changes from financing cash flows	**(1,402)**	(1,182)	(4,442)	4,976	(648)
Effect of changes in foreign exchange rates	**138**	26			26
Other changes					
Finance costs	**140**	164	339	1,250	1,753
Finance costs paid	**(140)**	(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 at the end of the year	**1,669**	2,933	–	–	2,933

16. 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 has 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 environment 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.

Foreign exchange risk

The Group's reporting currency is the USD and it is exposed to currency risk on accounts receivable and payable denominated in the Australian Dollar (AUD), Euro (EUR), British Pound (GBP) and Canadian Dollar (CAD). 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.

Notes to the Financial Statements

Exposure to foreign currency risk

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

AS AT 31 DECEMBER	2020 AUD'000	2020 EUR'000	2020 GBP'000	2020 CAD'000	2019 AUD'000	2019 EUR'000	2019 GBP'000
Cash and cash equivalents	**2,017**	**4,708**	**201**	**–**	58,502	557	101
Trade and other receivables	**1,849**	**1,074**	**469**	**56**	1,452	899	210
Trade and other payables	**1,519**	**1,126**	**142**	**–**	1,646	990	58
Loans and borrowings	**–**	**1,069**	**–**	**–**	–	1,680	–

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.

US$'000	2020	2019
10% increase	**(754)**	(3,794)
10% decrease	**921**	4,637

Interest rate risk

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.

As at 31 December 2020, the Company has no borrowings other than those related to leases under AASB 16 and hence not exposed to significant financial risk in this context.

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.

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.

2020 US$'000	12 MONTHS OR LESS	BETWEEN 1 AND 3 YEARS	BETWEEN 3 AND 5 YEARS	TOTAL CONTRACTUAL CASH FLOWS	CARRYING AMOUNT (ASSETS)/ LIABILITIES
Trade and other payables	**6,802**	**–**	**–**	**6,802**	**6,802**
Lease liability	**1,097**	**572**	**–**	**1,740**	**1,669**
Total non-derivatives	**7,899**	**572**	**–**	**8,542**	**8,471**

2019 US$'000	12 MONTHS OR LESS	BETWEEN 1 AND 3 YEARS	BETWEEN 3 AND 5 YEARS	TOTAL CONTRACTUAL CASH FLOWS	CARRYING AMOUNT (ASSETS)/ LIABILITIES
Trade and other payables	5,568	–	–	5,568	5,568
Lease liability	1,393	1,540	–	3,134	2,933
Total non-derivatives	6,961	1,540	–	8,702	8,501

17. Auditors' remuneration

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

	PWC AUSTRALIA		NETWORK FIRMS OF PWC AUSTRALIA		TOTAL	
US$'000	2020	2019	2020	2019	2020	2019
Assurance services						
Audit and review of financial statements	**227**	238	**24**	22	**251**	260
Other assurance services[1]	**–**	635	**–**	–	**–**	635
Total assurance services	**227**	873	**24**	22	**251**	895
Non-assurance services						
Tax compliance services	**80**	37	**7**	41	**87**	78
Total non-assurance services	**80**	37	**7**	41	**87**	78
Total remuneration	**307**	910	**31**	**63**	**338**	973

18. Related party transactions

The following table summarises the remuneration paid and included in the Expenses for the year ended 31 December 2020:

Key management personnel:

US$'000	2020	2019
Short term employee benefits	**1,387**	1,508
Post-employment benefits	**20**	4
Share-based payments	**1,105**	656
Others	**83**	160
Employee benefit expenses	**2,595**	2,328

Notes to the Financial Statements

Transactions and balances with key management personnel

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

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 currently 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 2020 (31 December 2019: Nil).

19. Parent entity information

US$'000	2020	2019
Result of the parent entity		
(Loss)/profit for the year	**(1,666)**	(3,555)
Total comprehensive (loss)/profit for the year	**(1,666)**	(3,555)
Financial position of the parent entity as at 31 December		
Current assets	**54,150**	55,736
Total assets	**87,750**	89,453
Current liabilities	**1,083**	1,108
Total liabilities	**1,170**	1,498
Net assets	**86,580**	87,955
Contributed equity	**90,344**	90,209
Reserves	**(3,945)**	(4,101)
Accumulated losses	**181**	1,847
Total equity	**86,580**	87,955

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.

20. Commitments and contingencies

The Group had no contingent liabilities as at 31 December 2020 (31 December 2019: Nil).

The Group has no significant commitments as at 31 December 2020 other than those disclosed in Note 15.

21. Events occurring after the reporting period

No matters or circumstances have occurred subsequent to period end that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Directors Declaration

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

In the opinion of the Directors:

a. The consolidated financial statements and notes as set out on pages 56 to 85 and the Remuneration report on pages 30 to 54 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 2020 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 2020.

d. The Directors draw attention to Note 2a to the consolidated financial statements on page 61, which includes a statement of compliance with International Financial Reporting Standards.

On behalf of the Board

Kurt Johnson
Executive Chairman
24 February 2021

Sam Chandler
Chief Executive Officer
24 February 2021

Independent Auditors' 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 2020 and of its financial performance for the year then ended

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

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 31 December 2020
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- 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 & 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.

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Independent auditor's report

To the members of Nitro Software Limited

Report on the audit of the financial report

Our opinion

In our opinion:

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(a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the year then ended

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

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 31 December 2020
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- 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.

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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*
• For the purpose of our audit we used overall Group materiality of $0.4m, which represents approximately 1% of the Group's revenue from ordinary activities. • 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. • The Group operates across a single operating segment, being the provision of software as a service. It's head office function is based in Melbourne, Australia.

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. We communicated the key audit matters to the Audit and Risk Committee.

Independent Auditors' Report

Key audit matter	*How our audit addressed the key audit matter*
Revenue Recognition *(Refer to note 5) [$40.2m]* The Group recognised revenue of $40.2m, which is predominantly comprised of the following revenue streams: • Subscription software services ($21.2m) • Perpetual licenses maintenance and support revenue ($18.9m) Revenue recognition is a key audit matter due to: - The significance of revenue to the Group's financial results. - The extent of deferred revenue 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.	Our audit procedures included, 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 - tested the operating effectiveness of key controls over the cash allocation process to allocate cash receipts to the appropriate invoice and customer - performed risk-based targeted procedures over revenue transactions based on an expected pathway and agreed a sample of transactions to supporting documents - used computer assisted audit techniques to analyse revenue transactions not consistent with an expected pathway - tested a sample of contracts to supporting documentation to ensure appropriate deferral of revenue - obtained the contract acquisition cost calculation, and performed tests over the mathematical accuracy of the calculation - assessed the appropriateness 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 5 in light of the requirements of Australian Accounting Standards.

**The above amounts have been rounded.*

Share Based Payments
(Refer to note 7) [$3.0m]

The Group recognised a share-based payment expense of $3.0m during the year.

Alongside its existing short-term and long-term incentive plans, the Group approved new long-term incentive plans during the year ended 31 December 2020.

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, including the determination of the grant date, estimated volatility over the period, and probability of meeting vesting conditions.

Our audit procedures included, 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
- tested key data and evaluated assumptions used in the vesting schedule and performed mathematical accuracy checks
- 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 7 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 2020, 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

Independent Auditors' Report

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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 30 to 54 of the directors' report for the year ended 31 December 2020.

In our opinion, the remuneration report of Nitro Software Limited for the year ended 31 December 2020 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
24 February 2021

Shareholder Information

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 15 February 2021.

Distribution of ordinary shares:

RANGE	TOTAL HOLDERS	UNITS	% UNITS
1 – 1,000	3,728	1,941,004	1.02
1,001 – 5,000	2,620	6,610,442	3.48
5,001 – 10,000	669	5,101,019	2.68
10,001 – 100,000	529	12,735,613	6.70
100,001 Over	61	163,613,062	86.12
Total	**7,607**	**190,001,140**	**100.00**

Unmarketable parcels

	MINIMUM PARCEL SIZE	HOLDERS	UNITS
Minimum $ 500.00 parcel at $2.9700 per unit	169	248	31,481

Substantial shareholders

The following have disclosed a substantial shareholder notice in the period to 15 February 2021:

SUBSTANTIAL HOLDER	NUMBER OF ORDINARY SHARES IN WHICH THE HOLDER (OR THEIR ASSOCIATES) HAVE A RELEVANT INTEREST	% OF VOTING POWER	DATE OF INTEREST NOTICE
Starfish Technology Fund II, LP	17,532,422	9.23	11 Sep 20
Battery Ventures	16,589,968	8.73	24 Sep 20
Regal Funds Management Pty Ltd	15,285,151	8.03	22 Dec 20
Australian Ethical Investment Limited	10,730,909	5.64	20 Oct 20
Richard Wenzel	9,650,188	5.08	13 Dec 19
Sam Chandler	9,191,880	4.84	15 Jun 20

Unlisted employee share options

As at 15 February 2021, there were a total of 18,746,548 unlisted share options on issue.

RANGE	TOTAL HOLDERS	UNITS	% UNITS
1 – 1,000	1	45	0.00
1,001 – 5,000	39	141,414	0.77
5,001 – 10,000	23	187,865	1.02
10,001 – 100,000	82	2,408,087	13.03
100,001 Over	18	15,739,137	85.18
Total	**163**	**18,476,548**	**100.00**

Shareholder Information

Unquoted restricted share awards

As at 15 February 2021, there were a total of 2,705,644 unquoted restricted share awards on issue.

RANGE	TOTAL HOLDERS	UNITS	% UNITS
1 – 1,000	–	–	–
1,001 – 5,000	–	–	–
5,001 – 10,000	–	–	–
10,001 – 100,000	–	–	–
100,001 Over	5	2,705,644	100.00
Total	**5**	**2,705,644**	**100.00**

Unlisted performance rights

As at 15 February 2021, there were a total of 2,206,454 unquoted restricted share awards on issue.

RANGE	TOTAL HOLDERS	UNITS	% UNITS
1 – 1,000	–	–	–
1,001 – 5,000	–	–	–
5,001 – 10,000	–	–	–
10,001 – 100,000	3	138,106	6.26
100,001 Over	7	2,068,348	93.74
Total	**10**	**2,206,454**	**100.00**

Voting rights:

Ordinary shares

Refer to note 14(a) on page 78.

Employee share options

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

On-market buy-back

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

Securities purchased on-market

During the year ended 31 December 2020, 100,000 equity shares were purchased on market at an average price of AUD 1.47 per share.

Securities subject to voluntary escrow

The Company has 57,843,145 shares in escrow until the Company releases the full year financial results for the year ended 31 December 2020. The Company has 10,675,286 unlisted options that are in escrow until the Company releases the full year financial results for the year ended 31 December 2020. The full year financial results are expected to be released on 24 February 2021.

Twenty largest shareholders

RANK	NAME	UNITS	% UNITS
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	22,087,928	11.63
2	NATIONAL NOMINEES LIMITED	18,938,463	9.97
3	STARFISH TECHNOLOGY FUND II LP	17,393,001	9.15
4	BATTERY VENTURES X LP\C	16,424,071	8.64
5	VISTRA TRUST (SINGAPORE) PTE LIMITED <IS&P SINGAPORE RET FUND A/C>	12,954,988	6.82
6	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	9,543,721	5.02
7	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	8,954,380	4.71
8	UBS NOMINEES PTY LTD	8,678,861	4.57
9	CITICORP NOMINEES PTY LIMITED	8,531,805	4.49
10	SAM CHANDLER	3,830,400	2.02
11	VENTURIAN PTY LTD <MAVERICK INNOVATION A/C>	3,132,203	1.65
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	3,081,482	1.62
13	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	2,982,819	1.57
14	RICHARD CROCKER	2,942,222	1.55
15	M&S SKYLEISURE PTY LTD <M&S SKYLEISURE NO 1 A/C>	2,836,624	1.49
16	RICHARD WENZEL	1,703,340	0.90
17	CRAIG CHANDLER + DI CHANDLER <JENSEN-SCOT SUPER FUND A/C>	1,492,375	0.79
18	NATIONAL NOMINEES LIMITED <DB A/C>	1,467,770	0.77
19	MR BRADLEY SCOTT FOLLETT	1,452,203	0.76
20	MR PETER JOHN GRIFFIN	1,300,423	0.68
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)		**149,729,079**	**78.80**
Total Remaining Holders Balance		**40,272,061**	**21.20**

Appendix

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 licensing 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 licensing 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 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.

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.

Operating EBITDA is earnings before share-based payments, foreign currency fluctuations, interest, taxation, depreciation and amortisation and other identifiable non-operating expenses such as IPO costs etc. 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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