APPENDIX 4E

For the year ended 31 December 2022

Company details

NAME OF THE ENTITY	Nitro Software Limited
ACN	079 215 419
REPORTING PERIOD	For the year ended 31 December 2022
PREVIOUS PERIOD	For the year ended 31 December 2021

Results for announcement to the market

For the year ended 31 December	2022 US$'000	2021 US$'000	Movement US$'000	Movement %
Revenue	66,797	50,851	15,946	31%
Loss from ordinary activities after tax attributable to members	(35,822)	(21,683)	(14,139)	65%
Loss attributable to members	(35,822)	(21,683)	(14,139)	65%

The detailed analysis of the results is included in the Operating and Financial Review for the period on page 1 of the Financial Report.

Net tangible assets per ordinary share

For the year ended 31 December	2022 US$	2021 US$
Net tangible assets	(0.01)	0.09

Dividends

No dividends were declared or paid for the year ended 31 December 2022.

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

During the year ended 31 December 2022, the Company incorporated the following entities.

Name of the Entity	Country of Incorporation	Control %	Date
Nitro Software GmbH	Germany	100%	28 Mar 22
Nitro Software Hungary Kft	Hungary	100%	27 May 22

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 which accompanies this Appendix 4E.

Other information requiring disclosure to comply with Listing Rule 4.3A is contained in the financial statements accompanying Financial Report.

This page has been left blank intentionally.

nitro

2022 FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

TABLE OF CONTENTS

DIRECTORS' REPORT

The Directors present their report on the consolidated entity (referred to as 'the Group') consisting of Nitro Software Limited and the entities it controlled at the end of, or during, the financial year ended 31 December 2022. All amounts are presented in US Dollars ('US$') unless otherwise stated.

Principal activities

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

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 39 to 74. The OFR covers the period from 1 January 2022 to 31 December 2022, including the comparative prior period for the year ended 31 December 2021. 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 1 to the 2022 Financial Report.

Summary of Financial Results[1] US$ millions	2022	2021	Change	Change %
Subscription	**50.6**	**33.8**	**16.8**	**50%**
Perpetual licence, maintenance and support	16.2	17.1	(0.9)	-5%
Total revenue	**66.8**	**50.9**	**15.9**	**31%**
Cost of revenues	(6.9)	(4.0)	(2.9)	73%
Gross profit	**59.9**	**46.9**	**13.0**	**28%**
Sales and marketing	(38.0)	(29.4)	(8.6)	29%
Research and development	(18.6)	(13.5)	(5.1)	38%
General and administrative	(14.4)	(11.6)	(2.8)	24%
Operating EBITDA	**(11.0)**	**(7.6)**	**(3.4)**	**45%**
SBP Expense	(6.7)	(7.6)	0.9	-12%
Movements in foreign exchange rates	(1.8)	(1.5)	(0.3)	19%
Non-recurring expenses[2]	(9.6)	(1.9)	(7.7)	393%
EBITDA	**(29.1)**	**(18.6)**	**(10.4)**	**56%**
Finance costs	(0.0)	(0.1)	0.1	-72%
Depreciation and amortisation expense	(6.7)	(2.4)	(4.3)	182%
Loss before income tax	**(35.8)**	**(21.1)**	**(14.7)**	**70%**
Income tax benefit/(expense)	(0.0)	(0.6)	0.5	-92%
Loss for the period	**(35.8)**	**(21.7)**	**(14.1)**	**65%**

1. Totals may not add due to rounding errors.
2. Includes Connective integration costs, transaction costs and other non-recurring items.

SaaS Metrics	2022	2021
Annual Recurring Revenue (ARR) $million	58.8	46.2
Added ARR $million	12.6	17.7[3]
Net Revenue Retention (NRR)	113%	113%
Gross Revenue Retention (GRR)	93%	94%[4]
LTV/CAC (ratio)[5]	4.7x	4.7x

Revenue

Subscription revenue

For FY2022, subscription revenue (including Connective) increased by US$16.8 million or 50% to US$50.6 million compared to US$33.8 million for the same period in FY2021. Subscription revenue was 76% of total revenue in FY2022 as compared to 66% in FY2021. Excluding Connective, subscription revenue grew by 33% or US$11.0 million. This increase was primarily driven by new customer wins, including many large enterprise customers, and expansions from existing subscription customers.

The Company's leading indicator for growth in subscription revenue is Added ARR. Added ARR during the period is the result of sales of subscription licences to new customers and additional subscription licence sales to existing subscription customers. Added ARR during FY2022 was US$12.6 million, of which US$2.1 million came from Connective. Consequently, ending ARR rose 27% during 2022 to US$58.8 million from US$46.2 million at the end of the same period last year.

Perpetual licence, maintenance and support revenue

Nitro has largely transitioned into a Business-to-Business SaaS company, focused on serving its customers through subscription contracts. Whilst the Company continues to sell perpetual licences through its online e-commerce offering perpetual revenue, which includes maintenance and support revenues, is expected to continue to decline.

For FY2022, perpetual licence, maintenance and support revenue declined by 5% to US$16.2 million or 24% of total revenue. For FY2021, perpetual license, maintenance and support revenue was US$17.1 million or 34% of total revenue.

Perpetual licence, maintenance and support revenue also includes some revenue from multi-year contracts with customers which are recognised at a point in time as these arrangements confer a 'right to use' the licence as opposed to a 'right to access' as is the case in our subscription contracts. This is in line with relevant accounting guidance and relates to arrangements that arose from legacy arrangements following the Connective and PDFpen acquisitions.

Gross profit and gross profit margin

Gross profit increased by US$13.0 million (28%) to US$59.9 million in FY2022 (FY2021: US$46.9 million). The gross margin was 90% for FY2022 (FY2021: 92%). Cost of revenues increased during FY2022 as a percentage of total revenue compared to FY2021 primarily due to a changing product mix with the inclusion of Connective products in FY2022.

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.

3. In 2021, added ARR included the full US$6.1 million ARR from the acquisition of Connective NV on 20 December 2021, compared to US$2.1 million of added ARR from Connective in 2022.
4. The GRR for FY 2021 does not include the impact of the acquisition of Connective NV on 20 December 2021.
5. The LTV/CAC does not include the impact of the acquisition of Connective NV on 20 December 2021.

Operating expenses[6]

Sales and marketing

In FY2022, sales and marketing expenses increased by US$8.6 million (29%) to US$38.0 million (FY2021: US$29.4 million). However, as a percentage of total revenue, sales and marketing expenses reduced from 58% in FY2021 to 57% in FY2022, which reflects our measured investments in the GTM strategies to maximise opportunities in the current economic environment. The increase in sales and marketing expense was primarily due to an increase in head count from the acquisition of Connective in December 2021.

The Company measures the efficiency of sales and marketing by monitoring the LTV/CAC ratio which was 4.7x (excluding Connective) for FY2022, in comparison to 4.7x in FY2021. In July 2022, the Company implemented a restructure of its 'go-to-market' sales and marketing organisation having regard to current macro-economic conditions and the desire to preserve cash. The objective of the restructure was also to improve the Company's sales efficiency and effectiveness whilst maintaining its high standards of customer service and technical delivery, which is beginning to materialise.

Research and development

In FY2022, research and development expenses increased by US$5.1 million (38%) to US$18.6 million (FY2021: US$13.5 million). As a percentage of total revenue, research and development expenses were 28% of total revenue in FY2022 compared to 27% in FY2021. The increase was primarily due to increased personnel cost and contracting services, reflecting Nitro's commitment to innovation and the evolution of its Productivity Platform and acquisition of Connective in December 2021. During the year, all research & development costs were expensed, as they did not meet the recognition & measurement criteria under the AASB 138.

General and administrative expenses

In FY2022, general and administrative expenses increased by US$2.8 million (24%) to US$14.4 million (FY2021: US$11.6 million). As a percentage of total revenue, general and administrative expenses were 21% of revenue in FY2022 as compared to 23% of total revenue for FY2021. The increase is primarily due to increased headcount to support the business, including personnel added as a result of the acquisition of Connective in December 2021. Nitro expects this cost base to become increasingly efficient as a percentage of revenue as the business continues to scale.

Other items impacting the results

Share-based payments expense

The share-based payments expense represents the fair value of equity awards issued by the Company over the vesting period. During FY2022, the Company issued 6.83 million equity awards (FY2021: 5.57 million).

The expense for FY2022 includes the impact of equity awards in previous financial years as well as those issued in FY2022. The decrease in FY2022 share based payments expenses primarily reflects lower fair values of equity awards on account of lower share price in FY2022 as compared to FY2021.

Non-recurring expenses

During the year ended 31 December 2022, Nitro has incurred US$9.6 million of one-off costs related to transaction and advisory costs, Connective integration costs and other non-recurring expenses.

Foreign currency fluctuations

The results for FY2022 were impacted by US$1.8 million of unfavourable foreign currency movements on account of strengthening of the US Dollar compared to the Euro, British Pound, Canadian Dollar and Australian Dollar. These arise on translation of monetary items in the financial statements held in foreign currency.

6. Before share based payments, movements in foreign exchange rates and other non-recurring items.

Cashflows

Cash and cash equivalents were US$28.0 million at 31 December 2022.

In FY2022, operating cash outflow increased by US$5.2 million (51%) to US$15.2 million (FY2021: US$10.1 million). The increase in operating cash flow for FY2022 is primarily due to increased cost of operations, integration of Connective and non-recurring items, partially offset by improvements in working capital. Gross receipts from customers in FY2022 were US$71.7million, up 39% compared to FY2021. The increase in cash receipts was primarily attributable to an increase in billings arising from multi-year subscription contracts.

Cash outflows from investing activities related to acquisition of property, plant and equipment.

Cash flows from financing activities primarily includes payments for transaction costs of the capital raise of US$0.8 million and leases of US$1.5 million.

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
- New markets and channels

During FY2022, Nitro focused on ensuring delivery of its product roadmap and growth agenda for the future by integrating PDFPen and Connective which were acquired in FY2021. These activities have delivered:

- PDF productivity across devices, mobile and web
- High trust eSign and eID verification
- Enterprise grade integrations, API's, document generation and workflow automation
- Advanced analytics, including eSign analytics

Nitro expects to continue to attract new enterprise and mid-market customers, expand within its existing customer base and deliver the synergies from the integration of Connective.

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.

Taking a disciplined approach and with a strong focus on operational cost efficiencies, In 2H2022 Nitro delivered on stated cash cost savings target of US$5.0 million against its internal forecast while maintaining sales momentum across the business. Our ability to significantly reduce costs while still growing fast is testament to the power of Nitro's business model.

Proactive approach to risk management

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 discussions 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
- 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.

Cybersecurity, data protection, and third-party dependence risks

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 proprietary 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 series of standards and the EU GDPR regulation on data privacy. These standards enable Nitro to maintain its certifications for SOC2 Type 2 Report on Controls Relevant to Security, Availability, Confidentiality and Privacy, and a HIPAA Security Compliance Assessment of internal controls. 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 risks

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. In response to the impact of the COVID-19 pandemic, Nitro has in FY2021 implemented a 'Flexible Forever' workplace policy. Every employee has the ability to work from anywhere, with in-person time when it makes sense.

- We are committed to a flexible work environment, forever
- We will focus on outcomes and performance
- We will hire the best talent from around the globe
- We will prioritise Nitro's culture and values in all that we do

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.

DIRECTORS' REPORT
Remuneration Report (Audited)

Message from the Remuneration and Nomination Committee

Dear Shareholder,

On behalf of the Board, we are pleased to present Nitro Software Limited's ('Nitro', 'the Group') Remuneration Report for the financial year ended 31 December 2022.

Overview of the year

Our global team has adapted remarkably well to the dynamic external environment over the past year and have driven positive momentum in executing Nitro's restructured Go-to-Market ('GTM') strategy for improved performance and efficiency.

Nitro achieved revenue of US$66.8 million; up 31% compared to FY2021 (excluding Connective, up 18%); underpinned by a 50% increase in subscription revenues (excluding Connective, up 33%) to US$50.6 million. Pleasingly, the Group recorded an Operating EBITDA loss of US$11.0 million for FY2022, beating the mid-point of updated guidance provided in July 2022 due to successful execution of cost saving initiatives in 2H 2022 relative to the reforecast.

Nitro has continued to be subject to a drawn out takeover battle for control of the Company since 31 August 2022. With a view to maximising shareholder value in an increasingly challenging macroeconomic environment, the Board, with assistance of management and financial and legal advisers engaged with multiple prospective interested parties, driving up Potentia Capital's initial takeover proposal of A$1.58 per share by a further 37% to at least A$2.17 per share based on its latest takeover offer of 23 February 2023.

FY2022 remuneration framework and outcomes

The above achievements were reflected in FY2022 variable remuneration outcomes for Executive Key Management Personnel ('KMP'), as summarised below.

Short-term incentive ('STI')

Consistent with the prior year, FY2022 STI outcomes for executive KMP were determined based on a balanced scorecard of measures, with 80% based on Group financial measures (ARR and Operating EBITDA) and 20% based on strategically important success measures that are specific to each individual's role. Based on scorecard achievements, the CEO achieved a STI outcome of 65% of target (46% of maximum) and the CFO achieved 64% of target (46% of maximum) for FY2022.

Long-term incentive ('LTI')

Regarding the FY2020 LTI grant of Performance Rights to executive KMP, 100% of the award vested in FY2022 based on the Group's relative total shareholder return ('TSR') and revenue compound annual growth rate ('CAGR') performance over the three-year performance period ending 31 December 2022.

Non-Executive Director remuneration

As disclosed in last year's Remuneration Report and detailed in section 11 below, base and committee fees for the Chair and NEDs increased from 1 January 2022. This ensured that Nitro remains globally competitive to attract and retain suitably qualified NEDs to oversee Nitro's continued growth and success, recognising the increased complexity, accountability and time commitment of the NED role since Nitro's listing – particularly following the acquisition and ongoing integration of the Connective business. Furthermore, a NED fee sacrifice equity plan was introduced in FY2022 to support alignment of NEDs with shareholders.

Response to first strike at the 2022 AGM

The Board is disappointed that Nitro received a first strike against our FY2021 Remuneration Report; however, we acknowledge the concerns raised and the perspectives shared about aspects of our remuneration structures and disclosures. Section 2 outlines the primary concerns raised by stakeholders regarding our remuneration practices and how we have responded to them.

We approved changes to FY2022 remuneration proposals to ensure that they remained aligned to our strategy, considering a balanced view of stakeholder expectations and pay structures for the global markets in which we compete for talent.

Firstly, the Board determined to forego the grants of LTIs or Restricted Stock Awards ('RSAs') to any executive KMP (and other senior executives) during FY2022, in response to the first strike. Following the May 2022 AGM, the Remuneration and Nomination Committee then conducted a robust review of the remuneration framework with assistance from independent external advisors. We considered opportunities to address stakeholders' concerns holistically, whilst ensuring that the remuneration framework remains relevant for our strategy, growth agenda and global talent markets.

As a result of the review, we have improved our disclosure in the FY2022 Remuneration Report by providing more specifics around STI performance hurdles and outcomes to enhance clarity of the link between variable pay and performance (refer to section 8 for detail). We have also provided enhanced disclosure of our benchmarking approach and outcomes in section 3.

Furthermore, depending on the outcome of the current takeover offers for the Company, the Board intends to review structural changes for FY2023. Should Nitro remain an ASX listed entity following completion of the takeover offers currently underway it will proceed with holding an Annual General Meeting ('AGM') in May 2023, with full details on any FY2023 remuneration changes to be disclosed in the Notice of 2023 AGM and FY2023 Remuneration Report.

Conclusion

A key part of Nitro's ability to execute its business strategy is anchored in our ability to build and retain an exceptional global leadership team, supported by an experienced and engaged Board. We continue to operate in a highly competitive environment for recruiting global talent and intellectual capital, so it is imperative that our remuneration and talent strategy aligns with those recruitment and retention goals and reflects best practices of Nitro's key global talent locations.

We highly value your feedback and look forward to your support of the FY2022 Remuneration Report.

Sincerely,

Peter Navin
Remuneration and Nomination Committee Chair
Nitro Software Limited

28 February 2023

DIRECTORS' REPORT
Remuneration Report (Audited)

CONTENTS

Remuneration Report (Audited)

1. Introduction

The Directors of Nitro Software Limited ('Nitro') present the Remuneration Report ('the Report') for the Company and its controlled entities ('the Group') for the year ended 31 December 2022. This Report forms part of the Directors' Report and has been audited in accordance with section 308(3C) 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	Independent	Term
Non-Executive Directors			
Kurt Johnson	Non-Executive Chairman	No	From 1 April 2022
Michael Brown[1]	Director	No	Full financial year
Lisa Hennessy	Lead Independent Director	Yes	Full financial year
Sarah Morgan	Independent Director	Yes	Full financial year
Craig Scroggie	Independent Director	Yes	Full financial year
Peter Navin	Independent Director	Yes	From 8 February 2022
Executive Directors			
Kurt Johnson[2]	Executive Chairman	No	Up to 31 March 2022
Sam Chandler	Executive Director and Chief Executive Officer (CEO)	No	Full financial year
Other Key Executives			
Ana Sirbu	Chief Financial Officer (CFO)		Full financial year

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity.

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

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

1. Michael Brown is considered not independent due to his ongoing relationships with major shareholders in the Company, Battery Investment Partners X, LLC and Battery Ventures X, L.P. respectively.
2. Kurt Johnson's executive contract ended on 31 March 2022, at which time he transitioned to the role of Non-Executive Chairman.

2. Response to first strike at 2022 AGM

At the 2022 AGM, the Group received a strike against the FY2021 Remuneration Report. Below we have outlined the key concerns raised by stakeholders and how the Company has responded to them.

Component	Concern	Nitro Response
Total Remuneration	Ongoing increase in the CEO's FY2022 total remuneration relative to Australian market standards, following a substantial increase from FY2020 to FY2021.	Nitro's FY2020 Remuneration Report provided prospective disclosure of the executive remuneration changes that would be introduced for FY2021, following a review by the Remuneration and Nomination Committee. The FY2020 Remuneration Report indicated that *"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"* and *"identified that an adjustment was necessary for the CEO for base salary and overall target opportunity."* For FY2022, the Board determined to provide only a 3% increase to the CEO's total maximum remuneration for FY2022, with no increases to fixed remuneration or STI quantum to maintain a strong focus on equity-based awards. However, to ensure an appropriate balance between a remuneration package that better aligns to Nitro's international talent markets, whilst continuing to reinforce an ownership mindset through substantial equity-based awards, the Board determined to introduce RSAs into the FY2022 package at a discounted value to the LTI. The total reward mix at-maximum continued to mainly comprise equity-based awards, with a heavy bias towards LTI to ensure long-term shareholder alignment. The FY2022 LTI was also accompanied by more challenging stretch hurdles for the relative TSR (from the 75th to 90th percentile) and revenue CAGR (from 30% to 35%) measures to motivate and reward stronger outperformance. As a result, the CEO's total maximum remuneration for FY2022 only increased by 3% but the proportion at-risk decreased from 78% to 60%. Following the first strike at the 2022 AGM, no LTIs or RSAs were granted to the CEO.
STI	Misalignment between STI outcomes and financial performance during FY2021.	As disclosed in the FY2021 Remuneration Report, Nitro achieved above target performance for ARR and Operating EBITDA in FY2021, which comprise a substantial portion of the STI (80% weighting).
	Limited disclosure of non-financial hurdles.	However, FY2021 STI outcomes were based on a holistic review of Nitro's performance that also considered critical non-financial measures (20% weighting) that align to Nitro's strategic priorities and growth agenda. To enhance transparency of the link between STI outcomes and performance, the FY2022 Remuneration Report provides additional disclosure of targets and performance achievements for both financial and non-financial metrics (see section 8).

Component	Concern	Nitro Response
LTI	Revenue CAGR target of 30% under the FY2022 LTI is not sufficiently challenging.	Each year the Board follows a rigorous approach to ensure that both STI and LTI targets are set to meet high performance expectations in the context of our business forecasts, whilst ensuring alignment to long-term sustainable, value creation. The Board also sets targets that ensure prudent risk-taking by executives. The Board is confident it has set suitably challenging hurdles for FY2022 taking into account the above considerations, and relative to peers. The Board also determined to increase the stretch hurdle under the FY2022 LTI to 35% revenue CAGR (from 30% in FY2021), in order to motivate and reward stronger outperformance. No LTIs were granted to executive KMP during FY2022, in response to the first strike at the 2022 AGM.
RSAs	Introduction of RSA component subject to a service condition and quarterly vesting, which are not in line with Australian market standards.	We acknowledge the concerns with the introduction of RSAs relative to Australian market practice. However, implementing a framework reflective of international remuneration practices where Nitro operates is critical to the future success of the business. RSAs provide immediate retention value and provide durability in volatile market conditions and are utilised by a majority of our US-listed peers. Our remuneration framework also recognises the increased complexity and global nature of Nitro's business; particularly following the major acquisitions of PDFpen and Connective NV during FY2021. No RSAs were granted to executive KMP (and other senior executives) during FY2022, in response to the first strike at the 2022 AGM.

3. Overview of executive remuneration

Remuneration framework snapshot and principles

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

Our Values

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.

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.

Be Good

- Have the structure and transparency expected of an ASX listed company and meet expectations of all stakeholders when determining pay.

Reward Principle

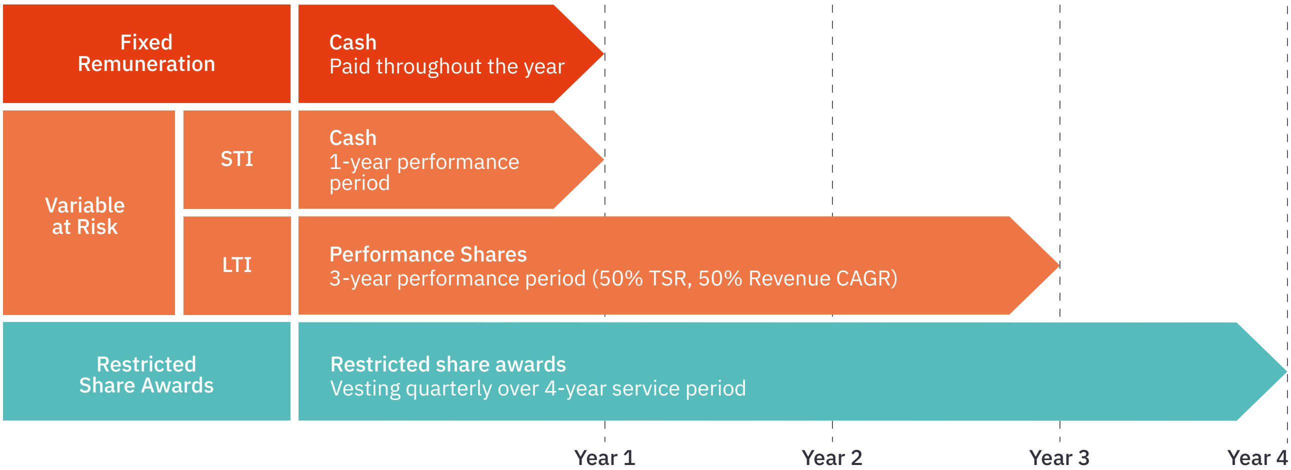
Pay for performance	***Aligned to investor interests***	***Fair and competitive***	***Attract, incentivise and retain***	***Transparency***

Executive Remuneration Framework

	Fixed remuneration	***Variable at-risk***			***Restricted Stock Awards***
	Cash	***Short-term incentive***	***Long-term incentive***	***Sign-on equity award***	
Purpose	Provide market competitive fixed pay to attract and retain top talent.	Rewards for meeting or exceeding challenging annual objectives that drive execution of our strategy and creates sustainable shareholder wealth.	Drives a focus on creating sustainable long-term shareholder value and reinforcing an ownership mindset.	Typically provided in lieu of forgone benefits and incentives from prior employment.	Enhance 'skin in the game' and provide an internationally competitive package for exceptional global talent.
Delivery	Base salary, statutory superannuation/pension contributions where applicable and other benefits.	Delivered in cash after performance is assessed at the end of each financial year.	Performance Shares, with vesting dependent on relative TSR and Revenue performance over 3 years.	Performance Rights, RSAs and Options, with performance hurdles and time-based service conditions.	RSAs, vesting quarterly over 4 years subject to ongoing service.
	Local market review of comparable roles in similar companies based on the scope of the executive's role.	Opportunity as a % of fixed Remuneration: **Target** / **Max** CEO 75% / 105% CFO 43% / 60% Outcomes are determined with reference to a balanced scorecard of financial and non-financial KPIs. Financial KPI outcomes are determined utilising a performance matrix comprising of Operating EBITDA and ARR, with a built-in gateway. Non-financial KPIs are specific to each executive.	No LTIs were granted to executive KMP in FY2022, in response to the first strike at the 2022 AGM.	No sign-on equity awards were granted to executive KMP in FY2022.	No RSAs were granted to executive KMP (and other senior executives) in FY2022, in response to the first strike at the 2022 AGM.

DIRECTORS' REPORT
Remuneration Report (Audited)

Overview of the FY22 remuneration framework approved by the Board



No LTI Performance Shares or RSAs were granted to any executive KMP during FY2022, following the first strike at the 2022 AGM.

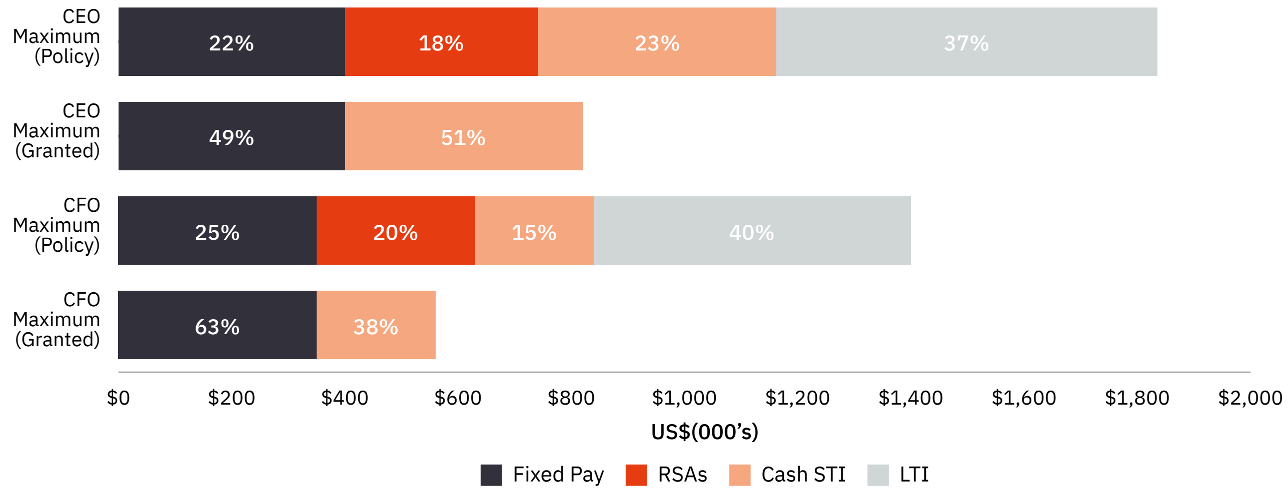
Alignment to business strategy

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

5 pillars of business strategy	How is this incorporated in the structure?
1. Expansion of existing customers	Pillars 1-3 are implicit in the ARR, Operating EBITDA and Revenue growth metrics measured and assessed as part of variable at-risk remuneration for executives through both the STI plan (ARR and Operating EBITDA) and LTI plan (revenue CAGR performance hurdle).
2. Winning new enterprise customers	
3. Expanding revenue contribution from larger enterprise customers	
4. Continued investment in product development	Achievement against Pillar 4 is measured and assessed annually in the relevant executive's STI non-financial objectives.
5. Acquisitions	Acquisitions help grow Nitro's customer base and reduce product gaps, which ultimately drives future growth in revenue and relative TSR performance.

Remuneration mix

The table below shows the FY2022 remuneration mix for executive KMP based on the maximum STI/LTI opportunity under the Board-approved incentive plans[3] vs. the maximum opportunity awarded/granted[4] to executive KMP in FY22.



Remuneration benchmarking philosophy and review

Nitro is a global company with its headquarters and the majority of executives based in the US and Europe. Accordingly, when setting executive remuneration levels, the Remuneration and Nomination Committee primarily references international remuneration benchmarks to ensure that we continuously attract, motivate and retain top talent in a highly competitive global talent market.

Whilst the Remuneration and Nomination Committee undertakes independent benchmarking each year as a guide for any remuneration changes, we recognise that it is key to consider not only benchmarking data, but also a number of fundamental factors including:

- The size and complexity of the role, including role accountabilities
- The criticality of the role to successful execution of the business strategy
- Skills and experience of the individual
- Period of service
- Scarcity of talent
- Surrounding market conditions and sentiment
- The Company's growth trajectory

During FY2022, the Board undertook remuneration benchmarking with assistance from external advisors to assess the appropriateness of the quantum and components of the total remuneration packages for executive KMP. The review considered US, UK and Australian market data, recognising that while executive KMP are located overseas, it is still important for Nitro to consider Australian market practices as an ASX-listed entity.

Cognisant of the fact that Nitro is competing for talent in overseas markets – predominantly the US – the Board utilised US market data as the primary benchmark in the review, with UK survey data as a secondary reference point. The Board also considered the remuneration structures of other ASX-listed companies with substantial global operations and/or executives located abroad, which operate more unconventional approaches to executive remuneration to address a variety of internal and external challenges.

---

3. The maximum STI/LTI opportunity under the FY2022 policy approved by the Board.
4. The maximum STI/LTI opportunity that executive KMP were awarded/granted for FY2022. This is substantially lower than the policy amount as no LTIs or RSAs were granted to executive KMP in FY2022, in response to the strike at the 2022 AGM.

The US market data[5] comprised a targeted set of 18-20 software/SaaS companies listed and headquartered in the US, which closely reflect comparable attributes to Nitro. In general, the peer set exhibited the following characteristics:

- Revenues generally less than US$300 million (Nitro positioned at the 16th percentile).
- Excluded companies with low or negative revenue growth (Nitro's FY22 revenue growth of 31% positioned at the 94th percentile).
- Market capitalisation between US$50 million and $US700 million (Nitro positioned at the 63rd percentile).

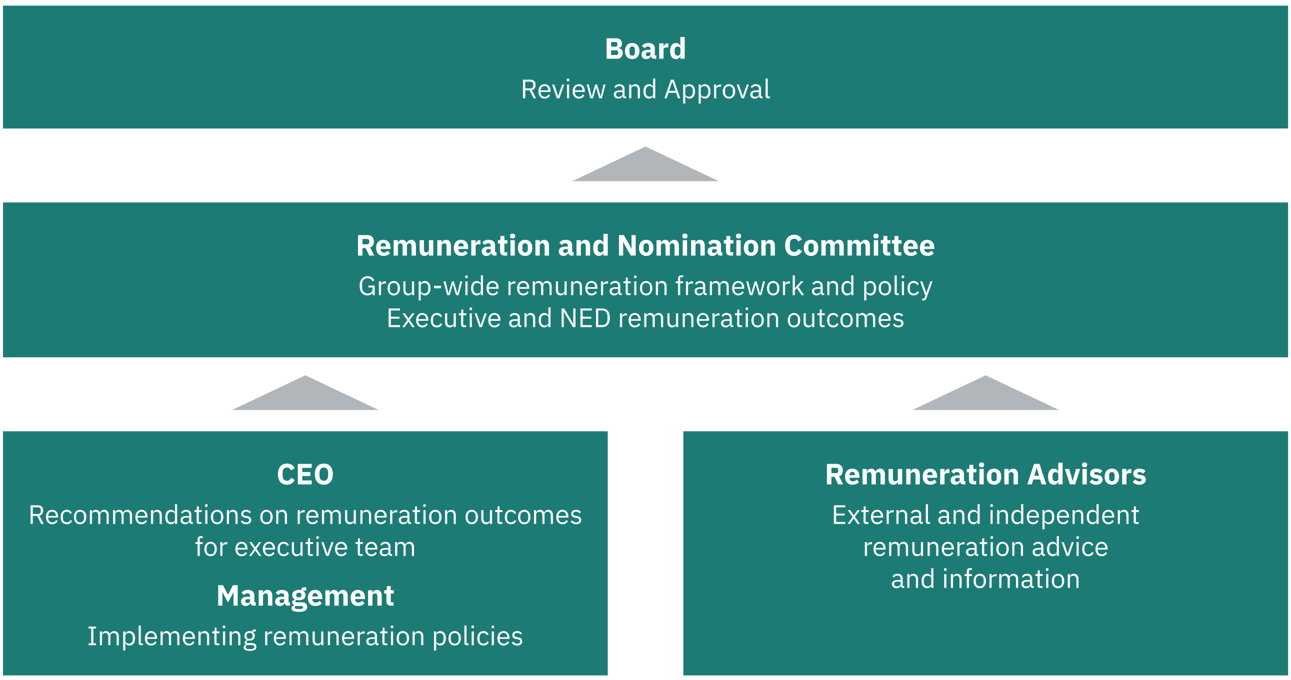
The benchmarking data[5] indicated the following key insights regarding the CEO's FY22 remuneration levels:

- Fixed remuneration positioned around the 25th percentile of US peers.
- Cash STI at-target between the 25th percentile and median of US peers.
- Equity-based remuneration at-target (including restricted stock and LTI) well below the 25th percentile of US peers.
- Total remuneration at-target well below the 25th percentile of US peers.
- The split between RSAs and LTI in the reward mix is consistent with broad US market practices, where typically approximately half of equity-based remuneration is delivered in time-vesting restricted stock and half is 'at risk' via Options and/or Performance Shares.

Under the terms of the Implementation Deed with Alludo, Nitro has been subject to certain restrictions with respect to the conduct of its business until the conclusion of the Alludo Takeover Offer or termination of the Implementation Deed (whichever is earlier). Accordingly, Nitro management has deferred many decisions around investment and cost structures until the resolution of both takeovers. As such, decisions around the FY2023 remuneration structure have been deferred until resolution of the takeover.

4. Remuneration Governance and Framework

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



The composition of the Remuneration and Nomination Committee will be set out in Nitro's annual report. Further information on the Committee's role, responsibilities and membership can be viewed at [Investor Centre | Nitro (gonitro.com)](#)

The Remuneration and Nomination 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.

5. Data as of November 2022.

During FY2022, the Remuneration and Nomination Committee engaged Compensia, Inc. to provide remuneration advisory services.

Advisor	Description of services	Fee (US$)
Compensia, Inc.	Remuneration advisory	49,703

During the year, Compensia did not provide a remuneration recommendation as defined in section 9B of the *Corporations Act 2001* (Cth). The Remuneration and Nomination Committee is satisfied that the above services provided by external advisors was made free from undue influence from any of the KMP.

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

- Board discretion to reduce, cancel or clawback any unvested STI or LTI In the event of serious misconduct or a material misstatement in the Group's financial statements.
- A securities trading policy that applies to all NEDs, executives and any other persons designated by the Board from time to time. This is set out at: Investor Centre | Nitro (gonitro.com)

5. Short-Term Incentive Plan

Key features of the FY2022 STI plan

The following table presents the STI plan that was applicable to executive KMP for FY2022:

Who participates in the plan?	The CEO and CFO are the only KMP who participated in the FY2022 STI plan.
How is it paid?	Cash.
How much can Executives earn?	Executives have a target and maximum 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. The STI opportunities for the executive KMP are as follows: (see table below)
When is it paid?	STI outcomes are determined at the end of each financial year following a review of performance against the measures by the CEO and in the case of the CEO, by the Board (see below). The Board approves the final award based on this assessment, and the recommendation of the Remuneration and Nomination Committee. Following Board approval, the award is paid following the sign-off of statutory accounts or the announcement of the Group's full year financial results.

	Target	Max
CEO	75%	105%
CFO	43%	60%

<table>
<tr><td>How is performance measured?</td><td>STI outcomes are determined with reference to a set of pre-determined financial and non-financial outcomes, with the following weightings:
<table>
<tr><th>Category</th><th>Weighting</th><th>Key Performance Indicators (‘KPIs’)</th></tr>
<tr><td>Financial</td><td>80%</td><td>• Group ARR
• Group Operating EBITDA</td></tr>
<tr><td>Non-financial</td><td>20%</td><td>Management by Objectives (‘MBOs’) that are role-specific and link to the Group’s overall strategy and success measures.
Refer to section 8 for further detail of the MBOs for the CEO for FY2022 including commentary on performance assessment and outcomes.</td></tr>
</table>
Financial KPIs are assessed using a performance matrix, with the payout ranging from 60% of target (threshold) to 150% of target (maximum). Payouts are tiered between threshold and maximum performance levels.
Non-financial KPIs are based on the percentage achievement of the MBOs. There is no outperformance above 100% for non-financial measures.
See section 8 for details of the CEO’s FY2022 STI outcomes and how they were determined.</td></tr>
<tr><td>Is there a financial gateway?</td><td>Yes. There is a gateway built into the performance matrix for financial measures, whereby a minimum level of Group financial performance must be achieved for any vesting to occur under the financial component (80% weighting). This ensures alignment with shareholder outcomes prior to executives being eligible to receive an award under the financial component of the plan. A zero outcome occurs if either the:
• ARR outcome is less than 85% of target, or
• Operating EBITDA loss is greater than 20% of target, with the Board maintaining discretion if this instance occurs jointly with significant outperformance against ARR.</td></tr>
<tr><td>What happens if an Executive leaves?</td><td>If an executive resigns or is terminated for cause prior to the end of the 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.</td></tr>
<tr><td>Malus and Clawback</td><td>Malus applies to any awards made under this plan.
Awards will also be subject to clawback for any material financial misstatements in relation to Nitro’s performance for the relevant period which are subsequently revealed.</td></tr>
</table>

6. Long-Term Incentive Plan

Since the Company was established, equity awards have been granted to all Nitro employees. For executives, 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 LTI awards have evolved with the growth and maturity of the Company as well as changes in ownership. Refer to section 12 for detail of prior year LTI grants of which awards have vested in FY2022 or are on foot for vesting in future periods.

Key features of the FY2022 LTI plan

No LTIs were granted to executive KMP (or any of the senior executive team) during FY2022, in response to the first strike at the 2022 AGM. The following table outlines the key features of the FY2022 LTI plan, as previously disclosed in the Notice of 2022 AGM.

Who was eligible to participate in the plan?	The CEO and CFO were the only KMP who were eligible to participate in the FY2022 LTI plan. However, no grants were made to the CEO and CFO for FY2022.
What was the delivery instrument?	Performance Shares.
How much could executives earn?	The CEO had the opportunity to earn up to 168% of fixed remuneration, with the CFO eligible to earn up to 160% of fixed remuneration. The number of Performance Shares that could have been issued was determined by dividing the A$ equivalent maximum award value by the 20-day volume weighted average share price ('VWAP') following the release date of the FY2021 annual results on 24 February 2022, being A$1.31. This represented a change to our prior practice of applying the 20-day VWAP as at the year-end date (31 December), as we believe the share price post-release of our annual results better reflects the period when the market is most informed of Nitro's performance and strategy. Should Nitro remain a listed entity, this practice will continue in future years to ensure our practice remains consistent from year to year and is in line with market practice.
What were the performance measures?	Awards would have been subject to two equally weighted performance measures: Relative TSR and Revenue Compound Annual Growth Rate ('CAGR').

Relative TSR

The Company's TSR over the relevant vesting period assessed against the relative TSR performance of the companies in the S&P/ASX All Technology Index ('XTX') ('Comparator Group') as at 31 December 2021, to assess performance applying a 20-day smoothing based on VWAP.

Vesting of Performance Shares determined with reference to the percentile ranking of the Company's TSR performance relative to the TSR performance of the Comparator Group during the performance period, in accordance with the following vesting schedule:

Performance Level	Relative TSR performance	Percentage vesting
Below Threshold	Below the 50th percentile	0%
Threshold	50th percentile	50%
Between Threshold and Target	Between 50th and 75th percentile	Pro-rata straight line vesting between 50% and 100%
Between Target and Stretch	Between 75th and 90th percentile	Pro-rata straight line vesting between 100% and 200%
Stretch	90th percentile or above	200%

Relative TSR was selected as a metric because it aligns with long-term shareholder value creation, given executives are rewarded only when the Company's TSR equals or exceeds the median of the Comparator Group.

What were the performance measures? *continued*	**Revenue CAGR** Vesting of Performance Shares determined with reference to the Company's revenue CAGR during the performance period. The revenue CAGR targets and corresponding vesting percentages are as follows:

Performance Level	Relative TSR performance	Percentage vesting
Below Threshold	Less than 25%	0%
Threshold	25%	50%
Between Threshold and Target	Between 25% and 30%	Pro-rata straight line vesting between 50% and 100%
Between Target and Stretch	Between 30% and 35%	Pro-rata straight line vesting between 100% and 200%
Stretch	Equal to or greater than 35%	200%

	Revenue CAGR was selected as a metric because it supports Nitro's growth agenda and five pillars of business strategy.
What was the performance period?	The performance period that would have applied was 1 January 2022 up to and including 31 December 2024 (3 years).
What would have happened if an executive ceased employment?	If a participant ceased employment in 'bad leaver' circumstances (including resignation, dismissal for cause or poor performance), all of their unvested awards would have forfeited or lapsed. Unless otherwise determined by the Board, if a participant ceased employment in 'good leaver' circumstances, such as disability or redundancy, a pro-rata portion of unvested LTI awards would have remained 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 remained on foot could have been settled by the Company in cash or shares. Notwithstanding the above, the Board could have also, subject to any requirement for shareholder approval, determined to treat awards in a different manner to that set out above.
What would have happened if there was a change of control?	The Board could in its sole and absolute discretion, and subject to the Listing Rules determine the treatment on unvested instruments.
Were executives eligible for dividends?	Under this offer, executives would not have been entitled to any dividends on unvested shares.
Malus and Clawback	Malus and clawback would have applied to any awards made under this plan.

7. Restricted Share Awards ('RSAs')

During FY2022, the Board approved a new component of executive remuneration in the form of RSAs, in order to continue reinforcing an ownership mindset, whilst enabling an internationally competitive package to attract, motivate and retain exceptional global talent.

However, no RSAs were granted to executive KMP during FY2022, in response to the first strike at the 2022 AGM. The following table outlines the key features of the RSAs that would have been granted in FY2022, as previously disclosed in the Notice of 2022 AGM.

Who was eligible to participate in the plan?	The CEO and CFO were the only KMP who were eligible to receive RSAs. However, no grants were made to the CEO and CFO for FY2022.
What was the delivery instrument?	Restricted Share Awards.
How much could executives earn?	The CEO was eligible to receive RSAs of up to 85% of fixed remuneration, with the CFO eligible to receive up to 80% of fixed remuneration. The number of RSAs that would have been issued was determined by dividing the A$ equivalent award value by the 20-day VWAP following the release date of the FY2021 annual results on 24 February 2022, being A$ 1.31.
What was the vesting period?	RSAs would have vested on a quarterly basis over a period of 4 years from 1 January 2022 to 31 December 2025.
Was there a service requirement?	Executives were required to remain employed by the Company for any RSAs to vest. Any RSAs that did not vest would have lapsed.
What would have happened if there was a change of control?	The Board could in its sole and absolute discretion, and subject to the Listing Rules determine the treatment on unvested instruments.
Were executives eligible for dividends?	Under this offer, executives would not have been entitled to any dividends on unvested shares.
Malus and Clawback	Malus and clawback would have applied to any awards made under this plan.

8. Overview of Group performance and remuneration outcomes

The table below summarises the Group's key financial measures and movements in shareholder wealth in US dollars for the past 5 years up to and including the current financial year.

	2022	2021		2020	2019	2018
	Including Connective	Excluding Connective	Including Connective			
ARR ($m)[6]	58.8	40.1	46.2	28.5	16.6	10.2
Revenue ($m)	66.8	50.7	50.9	40.2	35.7	32.4
Operating EBITDA	(11.0)	(7.4)	(7.6)	(2.4)	(1.1)	
NPAT ($m)	(35.8)	(21.4)	(21.7)	(7.5)	(7.9)	(5.5)
Share price at year end ($)	2.22	2.47	2.47	3.20	1.63	NA
Total Shareholder Return	-10%	-23%	-23%	96%	-5%	NA
Basic EPS (cents)	(15.0)	(11.0)	(11.0)	(4.0)	(10.8)	(8.4)
Total Dividends	NA	NA	NA	NA	NA	NA

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

FY22 STI performance and outcomes

In accordance with the methodology set out in section 3 of the Remuneration Report, an assessment was undertaken of the performance of each eligible executive against their FY2022 objectives.

The FY2022 STI performance measures and scorecard outcome for the CEO are detailed in the table below:

Category	Measure	Weight	Rationale	Result	Payout
Financial		**80%**			**60%**
Financial	Operating EBITDA	80%	Drives a focus on growing the profitability of the business.	The maximum score within the matrix is 150% of target, where target is ARR of US$68m and an Operating EBITDA loss of less than US$19.7m. A financial gateway is built into the matrix whereby a 0% outcome will occur if either the ARR achieved is less than US$57.8m (85% of target) or the Operating EBITDA loss is greater than US$23.64m (greater than 20% of target).	60% (matrix score)
Financial	ARR		Measures the investment made to achieve future growth.	In FY2022, the Group achieved an ARR of US$58.8m (including Connective) and an Operating EBITDA loss of US$11.0m. This resulted in an outcome of 60% of target.	

6. ARR is calculated using the updated methodology for the years ended 31 December 2021, 31 December 2020 and 31 December 2019.

Category	Measure	Weight	Rationale	Result	Payout
Non-financial		**20%**			
Direct Reports MBO Attainment	Manage direct reports to achieve individual MBOs.	7%	Strong MBO achievement is reflective of a high performing and motivated global executive team.	Average attainment was 84%	84%
Recruit key talent	Hire CMO	3%	Build a strong global executive team with specialised talent to support the growing business.	Achieved	87%
	Hire CTO			Partially achieved (interim CTO appointed)	
Product	Roadmap delivery			Target: 85%+ roadmap delivery Result: 60% delivered	
	Add at least 2 senior executives recruited to the Product Management and Engineering organisations.	4%	Better products and services to enhance customer satisfaction and retention.	Achieved (made 2+ senior hires)	85%
	Establish new lower-cost development location with initial team in place and operating by June 30.			Achieved (Budapest hub established and operating by June 30)	
Customer Experience	Gross Retention Rate ('GRR') and Net Revenue Retention ('NRR')	2%	Improving customer satisfaction and retention drives company performance.	Target: 95% GRR, 120% NRR Result: 93% GRR, 110% NRR	90%
	Customer Net Promoter Score ('NPS')			Target: 50+ Result: 49	
Connective	Integration delivered to plan	4%	Drives the effective integration of the Connective business.	Day 1 integration, harmonisation plan, and majority of key milestones delivered	75%
	Connective ARR, revenue and synergies			Target: US$7.5m ARR, US$7.7m revenue, US$2.5m synergies Results: US$7.9m connective ARR, US$7.1m revenue, ~US$1m synergies	
CEO FY2022 Scorecard Outcome	**60% x (80%) + 83% x (20%) = 65%**				

The following table outlines the actual FY2022 STI pay outcome for each eligible executive.

		Actual Outcome			MAXIMUM		
Executive	**Scorecard Outcome**	**Target opportunity (% of Fixed pay)**	**% of Fixed pay**	**$ Outcome**	**Opportunity (% of fixed pay)**	**STI earned as % of maximum opportunity**	**STI forfeited as % of maximum opportunity**
Sam Chandler[7]	65%	75%	48%	193,800	105%	46%	54%
Ana Sirbu	64%	43%	27%	96,000	60%	46%	54%

LTI performance and outcomes

LTI outcomes with respect to LTI granted in FY2020 to the CEO and CFO have vested in respect of performance during FY2022 are summarised in the following table. Refer to section 12 for further detail on the 2020 LTI grant.

Executive	LTI Grant	Performance hurdle	Performance outcome	% Awards vesting	% Awards lapsed
Sam Chandler	2020 LTI Grant	RTSR	RTSR: Ranked at the 77th percentile	100%	0%
Anna Sirbu		Revenue	Revenue: FY2022 revenue is $66.8m[8], a CAGR of 23.2% from the baseline FY2019 revenue of $35.7m		

9. Executive remuneration tables

Achieved executive remuneration for FY2022

The actual remuneration received by executive KMP in FY2022 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 FY2022 and the value of LTIs and other equity awards that vested during the period. This differs from the remuneration details prepared in accordance with statutory obligations and accounting standards as per the table directly following, which includes the value of Options, Performance Rights and Performance Shares that have been awarded but which may or may not vest.

Executive	Fixed[9]	STI[10]	LTI vested[11]	Total
Sam Chandler[12]	351,875	369,051	403,360	1,124,285
Kurt Johnson[13]	84,410	–	–	84,410
Ana Sirbu	354,354	168,000	734,861	1,257,215

7. Sam Chandler relocated to the UK in December 2021, with his remuneration paid in GBP. Amounts have been converted to USD at a conversion rate of GBP£1 = US$1.2371.
8. Amounts, including Connective.
9. Salary and fees, superannuation, other monetary and non-monetary benefits.
10. STI amounts paid during 2022. In relation to Sam Chandler, the STI includes amounts relating to the FY2021 award of US$325,200 and FY2020 award of US$43,851. The FY2020 STI paid in FY2022 represents 20% of the FY2020 STI award of US$219,253 which remained unpaid as at 31 December 2021.
11. Intrinsic value of LTI and other equity awards that vested during 2022, computed with respect to the closing share price as at 31 December 2022. Awards out of the money as at 31 December 2022 are not included above.
12. Sam Chandler relocated to the UK in December 20221, with his remuneration paid in GBP. Amounts have been converted to USD at a conversion rate of GBP£1 = US$1.2371.
13. Kurt Johnson transitioned to a Non-Executive Chairman role on 1 April 2022, thus the amounts included above are related to the amount earned up to April 2022 only.

Executive remuneration statutory accounting method

The amounts shown in this table are prepared in accordance with applicable accounting standards and do not represent actual cash payment received by executives for the year ended 31 December 2022 (see section above for actual remuneration received by executives). 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. Refer to section 8 of this report for detail on FY2022 variable remuneration outcomes.

	Year	Salary	STI cash bonus[14]	Other monetary benefits	Non monetary benefits	Total	Post employment benefits	Annual leave	Options and rights (time based vesting)	Shares and units (time based vesting)	Options, Performance shares and rights (performance based)	Total share based payments	Total	Total performance related remuneration	Proportion of remuneration that is performance related
Key Management personnel															
Sam Chandler[15]	2022	**358,769**	**193,800**	**(6,894)[16]**	**–**	**545,675**	**–**	**–**	**–**	**–**	**61,917**	**61,917**	**607,592**	**255,717**	**42%**
	2021	400,000	325,200	15,550	13,452	754,202	–	11,795	315	–	454,554	454,869	1,220,866	779,754	64%
Kurt Johnson[17]	2022	**81,250**	**–**	**620**	**2,540**	**84,410**	**2,500**	**–**	**–**	**–**	**–**	**–**	**86,910**	**–**	**0%**
	2021	325,000	–	2,600	32,108	359,708	–	–	–	–	390,522	390,522	750,230	390,522	52%
Ana Sirbu	2022	**333,380**	**96,000**	**1,200**	**19,774**	**450,354**	**538**	**–**	**218,016**	**411,991**	**187,910**	**817,917**	**1,268,809**	**283,910**	**22%**
	2021	350,000	168,000	1,911	20,825	540,736	–	–	490,293	995,785	171,493	1,657,571	2,198,306	339,493	15%
Sub total for KMP	2022	**773,399**	**289,800**	**(5,074)**	**22,314**	**1,080,439**	**3,038**	**–**	**218,016**	**411,991**	**249,827**	**879,834**	**1,963,311**	**539,627**	**–**
	2021	1,075,000	493,200	20,061	66,385	1,654,646	–	11,795	490,608	995,785	1,016,569	2,502,961	4,169,403	1,509,769	–

14. STI will be paid to the KMP in February 2023, after the completion of audit of the financial statements for FY2022.
15. Sam Chandler relocated to the UK in December 2022, with his remuneration paid in GBP. Amounts have been converted to USD at a conversion rate of GBP£1 = US$1.2371.
16. Included in other monetary benefits are amounts recoverable of US$17,500 for overpayments towards maintenance of a global pension fund for FY2019, FY2020 and FY2021.
17. Kurt Johnson transitioned to a Non-Executive Chairman role from 1 April 2022, thus the amounts included above are related to the amount earned up to 31 March 2022 only.

10. Executive KMP service agreements

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

Sam Chandler	**Executive Director, Co-Founder and Chief Executive Officer**
Base Salary:	£290,000 per annum
Incentives:	Mr Chandler is eligible to participate in the Company's 2022 STI Plan (see section 5) with a target STI opportunity of £225,000 and a maximum opportunity of £315,000. Mr Chandler was eligible to participate in the Company's 2022 LTI Plan (see section 6) with a LTI opportunity of up to 168% of fixed remuneration. Mr Chandler was not granted any LTI in FY2022 following a strike at the 2022 AGM. Mr Chandler is eligible to participate in annual grants of RSAs (see section 7) with a total opportunity of 85% of fixed pay. Mr Chandler was not granted any RSAs in FY2022 following a strike at the 2022 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 £3,625 to be used towards airfares for personal trips between his home country and the United States; £7,250 per annum for the cost of maintaining his global pension fund; and up to £2,175 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 6 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 6 months' base salary.
Other:	Mr Chandler has an open-ended employment contract with no non-solicitation or non-compete obligations. Mr Chandler relocated to the UK in December 2021 and therefore was paid in GBP for the duration of FY2022, however remains on the same US contract.
Ana Sirbu	**Chief Financial Officer**
Base Salary:	$350,000 per annum
Incentives:	Ms Sirbu is eligible to participate in the Company's 2022 STI Plan (see section 5) with a target STI opportunity of $150,000 and a maximum opportunity of $210,000. Ms Sirbu was eligible to participate in the Company's 2022 LTI Plan (see section 6) with a LTI opportunity of up to 160% of fixed remuneration. Ms Sirbu was not granted any LTI in FY2022 following a strike at the 2022 AGM. Ms Sirbu is eligible to participate in annual grants of RSAs (see section 7) with a total opportunity of 80% of fixed pay. Ms Sirbu was not granted any RSAs in FY2022 following a strike at the 2022 AGM. Ms Sirbu was not eligible to participate in the Company's 2021 LTI Plan given her commencement date in the role (28 September 2020) and receipt of sign-on equity award upon her appointment in FY2020. These sign-on awards were in lieu of forgone benefits and incentives from her previous employment and to provide alignment with shareholder outcomes.

Benefits:	Ms Sirbu is entitled to participate in the Company's employee benefit plans, including paid leave, paid holidays, medical, dental and vision insurance coverage.
Termination:	Employment may be terminated by the Company by providing 6 months' written notice or by Ms Sirbu by providing 2 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 6 months' base salary and a prorated share of the STI.
Other:	Ms Sirbu has an open-ended employment contract with no non-solicitation or non-compete obligations.
Kurt Johnson	**Executive Chair (until 31 March 2022)**
Base Salary:	$325,000 per annum
Incentives:	At the commencement of his initial employment contract in April 2020 (extended in April 2021), Mr Johnson was offered a target incentive opportunity of up to 300% of fixed remuneration under the Company's 2020 LTI Plan (see Notice of 2022 AGM), without a STI component. Accordingly, Mr Johnson was granted 946,000 Performance Rights under this plan as approved at the 2022 AGM. The award had a two-year performance period and vested on 31 December 2021 subject to performance against a relative TSR hurdle. In setting this remuneration structure, the Board 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. The Board decided upon the quantum in recognition of the role forgoing any potential STI opportunity.
Benefits:	Mr Johnson was entitled to participate in the Company's employee benefit plans, details of which are provided under Mr Chandler's arrangements.
Termination:	Mr Johnson's executive employment relationship was at-will and either Mr Johnson or the Company could terminate his employment at any time without any advance notice. The executive contract of employment with Mr Johnson commenced 1 April 2021 and ended on 31 March 2022, following which Mr Johnson assumed the role of Non-Executive Chairman of the Board from 1 April 2022.
Other:	Mr Johnson has no non-solicitation or non-compete obligations.

11. Non-Executive Director remuneration

Nitro's 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.

NEDs receive fees and are not entitled to participate in any performance-based awards. NED fees consist of base and committee fees with the payment of committee fees recognising the additional time commitment required by NEDs. In addition, a NED fee sacrifice equity plan was introduced in FY2022 to support alignment of NEDs with shareholders. This plan allows NEDs to exchange up to 50% of cash remuneration for the acquisition of share rights to increase their "skin-in-the-game", alignment with shareholder interests, and preserve the independence of 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 NEDs 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.

The Remuneration and Nomination Committee will periodically review whether fees are appropriate having regard to information provided by independent remuneration consultants. As foreshadowed in the FY2021 Remuneration Report, a broad review of the market competitiveness of NED remuneration was conducted in FY2021. The review involved market analysis of the remuneration of a broad range of US-listed companies of comparable revenue, as well as ASX-listed companies of comparable size (by market cap) with an industry focus of application software. The review indicated that the current fees were at the lower end of market benchmarks.

Considering the market data, as well as the increased responsibilities and workload of NEDs due to the increased complexity and scope of Nitro's business operations since the IPO, the following increases were approved effective 1 January 2022 (amounts exclude superannuation and pension-related contribution):

Base fee	2022	2021
Non -Executive Chairman	USD 172,800	USD 126,000
United States Non-Executive Director	USD 86,400	USD 57,600
Australian Non-Executive Director	AUD 120,000	AUD 80,000

	2022		2021	
Committee fees	Committee Chair	Committee Member	Committee Chair	Committee Member
Audit and Risk Committee	AUD 20,833	AUD 6,944	AUD 15,000	AUD 5,000
Remuneration and Nomination Committee	AUD 20,833	AUD 6,944	AUD 15,000	AUD 5,000

Prior to FY2022, no changes had been made to NED base and committee fees since the IPO in 2019. The fee increases outlined above are within the current NEDs' fees cap disclosed below. These fees will remain unchanged for FY2023.

In addition, most of the Nitro NEDs voluntarily elected to sacrifice between 30%-50% of their FY2022 base cash fees into Nitro equity in the form of share rights under the NED fee sacrifice equity plan introduced during the year.

The actual total remuneration paid to the Nitro NEDs during FY2022 is reported in the statutory remuneration table disclosed below. The amounts are presented in the Company's functional currency of US$. In limited instances where there has been translation of FY2022 balances relating to NED disclosure, the exchange rate applied is A$1 = US$0.68864.

		Salary and fees	Share based payments expense under the NED Share Rights Plan[18]	Superannuation/ Pension/401K	Total
Kurt Johnson[19]	**2022**	**65,096**	**54,750**	**–**	**119,846**
	2021	–	–	–	–
Michael Brown	**2022**	**91,400**	**–**	**–**	**91,400**
	2021	57,600	–	–	57,600
John Dyson	**2022**	**–**	**–**	**–**	**–**
	2021	28,107	–	534	28,641
Lisa Hennessy[20]	**2022**	**69,801**	**22,141**	**9,781**	**101,723**
	2021	79,362	–	7,771	87,133
Sarah Morgan[19]	**2022**	**68,710**	**29,522**	**11,681**	**109,913**
	2021	79,362	–	6,481	85,843
Richard Wenzel[19]	**2022**	**–**	**–**	**–**	**–**
	2021	28,107	–	2,670	30,777
Craig Scroggie[19, 21]	**2022**	**87,419**	**–**	**9,068**	**96,487**
	2021	19,448	–	2,670	22,118
Peter Navin[22]	**2022**	**53,700**	**32,551**	**–**	**86,251**
	2021	–	–	–	–
Total	**2022**	**436,126**	**138,964**	**30,530**	**605,620**
	2021	291,986	–	20,126	312,112

12. Maximum aggregate fee pool

The current maximum aggregate fee pool is US$1,000,000, which was set as part of the company Prospectus upon listing to the ASX. Denominating the fees and the fee pool in US$ reflects the fact that business operations are run from outside Australia.

Prior year LTI grants

Prior year LTI grants to executives referred to within this Report include:

- 2020 LTI plan (awards granted in May 2020); and
- 2021 LTI plan (awards granted in May 2021).

18. The fair value of the NED share rights on 5 August 2022 (grant date) is A$1.17 per share right.
19. Kurt Johnson transitioned to a Non-Executive Chairman role in April 2022, thus, therefore the amounts included above are related to the amount earned from April 2022 only.
20. Represents payments made to Australian NEDs in A$ disclosed in the Company's functional currency US$. The average exchange rate used is A$1 = US$0.68864 (FY2021: A$1 = US$0.75505)
21. Craig Scroggie was appointed as a NED effective 1 September 2021, therefore the amounts included under 2021 reflect time in the role.
22. Peter Navin was appointed as a NED effective 8 February 2022, therefore the amounts included under 2022 reflect time in the role.

2020 LTI grant

The 2020 LTI grant reflects the structure of awards granted post the IPO. Performance Rights were granted to the CEO after being approved by shareholders at the FY2019 AGM, with vesting subject to the dual hurdles of Relative TSR and Revenue CAGR. The 2020 LTI awards vested during FY2022 (see section 8). Key terms of the award are outlined below.

How is it paid?	Performance Rights
How much can Executives earn?	The CEO had a LTI opportunity of 100% of fixed remuneration.
How is performance measured?	**Relative TSR (50%)** The proportion of Performance Rights that vested was determined with reference to the percentile ranking of the Company's TSR performance relative to the TSR performance of the Comparator Group during the performance period, in accordance with the following vesting schedule:

Relative TSR performance	Percentage vesting
Below the 50th percentile	0%
At the 50th percentile	50%
Greater than the 50th percentile and less than the 75th percentile	Pro-rata straight line vesting between 50% and 100%
Equal to or greater than the 75th percentile	100%

Revenue CAGR (50%)

The revenue CAGR targets and corresponding vesting percentages are as follows:

Revenue CAGR performance	Percentage vesting
Less than 15%	0%
15%	50%
Greater than 15% and less than 20%	Pro-rata straight line vesting between 50% and 100%
Equal to or greater than 20%	100%

2021 LTI grant

The 2021 LTI grant is largely aligned with the 2020 LTI plan including the dual hurdles of Relative TSR and Revenue CAGR and issued in Performance Rights. Only minor amendments were introduced under the 2021 LTI grant including:

- Increasing the CEO's opportunity to 240% of fixed remuneration (from 100%).
- Increasing the threshold performance level for the Company's Revenue CAGR hurdle to 25% (from 15%).
- The inclusion in the relative TSR performance calculation methodology of a 20-day smoothing element based on the volume weighted average price.

13. Additional statutory disclosures

The following tables summarise the equity shares, Options, Performance Rights and Performance Shares as at the date of the Report.

KMP equity holdings

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

	1 Jan 22	Number of shares: Vested during the year	Acquired through exercise of options	Sold during the year	Other changes[23]	31 Dec 22
Executives as at 31 December 2022						
Sam Chandler	12,183,224	–	–	–	–	12,183,224
Ana Sirbu[24]	230,045	257,524	–	(90,000)	(143,236)	254,333
Total equity shares held	**12,413,269**	**257,524**	**–**	**(90,000)**	**(143,236)**	**12,437,557**

	1 Jan 22	Number of shares: Granted during the year	Exercise of performance rights	Sold during the year	Other changes[25]	31 Dec 22
Non-executive directors as at 31 December 2022						
Michael Brown[26]	16,589,968	–	–	–	–	16,589,968
Lisa Hennessy	40,515	–	–	–	–	40,515
Sarah Morgan	40,545	–	–	–	–	40,545
Kurt Johnson[27]	840,520	–	730,974	–	(271,953)	1,299,541
Craig Scroggie	–	–	–	–	–	–
Peter Navin	–	–	–	–	–	–
Total equity shares held	**17,511,548**	**–**	**730,974**	**–**	**(271,953)**	**17,970,569**

2022 NED share rights

	Base NED fee	Pro-rata base fee	% of fee sacrificed	Fee sacrificed	Share rights issue price	Exchange rate	Number of NED Shares issued	Number of NED Shares Vested[28]
Non-executive directors as at 31 December 2022								
Michael Brown[29]	USD 86,400	USD 86,400	0%	USD 0	AUD 1.31	0.7313	–	–
Lisa Hennessy	AUD 120,000	AUD 120,000	30%	AUD 36,000	AUD 1.31	1.0000	27,480	27,480
Sarah Morgan	AUD 120,000	AUD 120,000	40%	AUD 48,000	AUD 1.31	1.0000	36,641	36,641
Kurt Johnson	USD 172,800	USD 130,192	50%	USD 65,096	AUD 1.31	0.7313	67,953	67,953
Craig Scroggie	AUD 120,000	AUD 120,000	0%	AUD 0	AUD 1.31	1.0000	–	–
Peter Navin[30]	USD 86,400	USD 77,405	50%	USD 38,703	AUD 1.31	0.7313	40,401	40,401
Total							**172,475**	**172,475**

23. Represents shares withheld to cover withholding tax obligations in the USA relating to the vesting of Restricted Share Awards.
24. Represents shares that are subject to time-based vesting conditions and for which performance conditions have been satisfied. The service conditions of the balance 450,668 (31 December 2021: 708,192) restricted share awards are yet to be satisfied.
25. Represents shares withheld to cover withholding tax obligations in the USA relating to the exercise of performance rights.
26. Michael Brown is a nominee Director of Battery investment Partners X, LLC and Battery Ventures X, L.P. who hold 165,897 and 16,424,071 shares, respectively.
27. Kurt Johnson transitioned from Executive Chairman to Non-Executive Chairman effective 1 April 2022.
28. NED Share rights are exercisable from the date on which the financial results for the year following their grant are released and are automatically exercised by the Company in the 120 days following the start of the financial year following their grant, in accordance with the NED fee sacrifice equity plan rules.
29. Michael Brown is a nominee director of Battery investment Partners X, LLC and Battery Ventures X, L.P. who hold 165,897 and 16,424,071 shares respectively and was not eligible to participate in the program.
30. Peter Navin was appointed as a NED effective 8 February 2022, and Kurt Johnson transitioned to a Non-Executive Chairman role in April 2022; the pro-rata base fee reflects time spent in the role.

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

								Movement				At year end	
KMP	Plan	Year	Grant date	Fair value at Grant	Exercise price	Expiry date	1 Jan 22	Granted	Exercised	Other changes	31 Dec 22	Vested	Exercisable
Executives													
Sam Chandler	Historical LTI[31]	2014	12 May 14	AUD 0.24	AUD 0.41	04 May 24	863,190	–	–	–	863,190	863,190	863,190
	Historical LTI[32]	2016	28 Feb 16	AUD 0.16	AUD 0.40	28 Nov 25	1,586,421	–	–	–	1,586,421	1,586,421	1,586,421
	2019 LTI	2019	13 Nov 19	AUD 0.69	AUD 1.72	11 Dec 29	319,716	–	–	–	319,716	319,716	319,716
							162,274	–	–	–	162,274	162,274	162,274
							283,980	–	–	–	283,980	283,980	283,980
	2019 LTI	2019	13 Nov 19	AUD 0.69	AUD 1.72	11 Dec 29	53,289	–	–	–	53,289	53,289	53,289
							27,045	–	–	–	27,045	27,045	27,045
							47,329	–	–	–	47,329	47,329	47,329
Ana Sirbu	ESOP	2020	23 Sep 20	AUD 1.33	AUD 2.49	23 Sep 30	1,030,097	–	–	–	1,030,097	579,429	579,429
Total							*4,373,341*	–	–	–	**4,373,341**	**3,922,673**	**3,922,673**

Executive	Plan	Year	Grant amount	% Vesting previous periods	Vesting % 2022	Incentive forfeited till 31 Dec 2022	% incentive at risk	Vesting % 2023	Vesting % 2024
Sam Chandler	2019 LTI	2019	968,814	79%	0%	21%	0%		NA
	Historical LTI	2016	1,586,421	100%	0%	0%	0%		
Ana Sirbu	ESOP	2020	1,030,097	31%	25%	0%	44%	25%	19%
	RSA	2020	1,057,488	34%	25%	0%	41%	25%	16%

31. The beneficial interest in the Option is held by a relative of the KMP.
32. Pursuant to the approval of the shareholders at the AGM dated 20 May 2021 and approval by the ASX, the Company amended the terms of each Option issued under its employee incentive scheme, which has an exercise price denominated in United States Dollar ('USD') to convert the exercise price into Australian Dollars ('AUD') at the exchange rate prevailing on the date of modification 28 May 2021. The share price at modification date was A$2.83. There were no other changes to the terms of the grants. Based on the key inputs and assessment performed, the fair value impact of the Options immediately before modification and immediately after was not material.

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

KMP	Plan	Grant Date	Hurdle	Fair value at Grant	Exercise price	Vesting Date	1 Jan 22	Movement: Granted	Movement: Exercised	Movement: Other changes	31 Dec 22	Vested at the end of the year	Maximum value to be recognised in future years
Executives													
Sam Chandler	2020 LTI	29 May 20	RTSR	AUD 1.20	AUD 0.00	31 Dec 22	133,500	–	–	–	133,500	133,500	–
			Revenue	AUD 1.60	AUD 0.00		133,500	–	–	–	133,500	133,500	
	2020 LTI[33]	29 May 20	RTSR	AUD 1.20	AUD 0.00	31 Dec 22	42,000	–	–	–	42,000	42,000	–
			Revenue	AUD 1.60	AUD 0.00		42,000	–	–	–	42,000	42,000	
Subtotal							**351,000**	–	–	–	**351,000**	**351,000**	
Kurt Johnson[34]		29-May-20	RTSR	AUD 1.14	AUD 0.00	31 Dec 21	730,974	–	(730,974)	–	–	–	–
Ana Sirbu	2020 LTI	23 Sep 20	RTSR	AUD 2.19	AUD 0.00	31 Dec 22	114,455	–	–	–	114,455	114,455	–
			Revenue	AUD 2.56	AUD 0.00		114,455	–	–	–	114,455	114,455	
							228,910	–	–	–	**228,910**	**228,910**	–
Total							**1,310,884**	–	**(730,974)**	–	**579,910**	**579,910**	–

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

KMP	Plan	Grant Date	Hurdle	Fair value at Grant	Exercise price	Vesting Date	1 Jan 22	Movement: Granted (Awards)	Movement: Exercised	Movement: Other changes	31 Dec 22	Vested at the end of the year	Maximum value to be recognised in future years
Executives													
Sam Chandler	2021 LTI	21 May 21	RTSR	AUD 2.12	AUD 0.00	31 Dec 23	204,704	–	–	–	204,704	–	100,339
			Revenue	AUD 2.75	AUD 0.00		204,704	–	–	–	204,704	–	
	2021 LTI[35]	21 May 21	RTSR	AUD 2.12	AUD 0.00	31 Dec 23	38,382	–	–	–	38,382	–	16,938
			Revenue	AUD 2.75	AUD 0.00		38,382	–	–	–	38,382	–	
Subtotal							**486,172**	–	–	–	**486,172**	–	

33. The beneficial interest in the performance rights is held by a relative of the KMP.
34. Kurt Johnson transitioned from Executive Chairman to Non-Executive Chairman effective 1 April 2022.
35. The beneficial interest in the performance shares is held by a relative of the KMP.

Other Statutory information

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

Name	Position
Kurt Johnson	Non-Executive Director (from 1 April 2022) and Chairman
Sam Chandler	Executive Director and Chief Executive Officer ('CEO')
Michael Brown	Non-Executive Director
Lisa Hennessy	Lead Independent Non-Executive Director
Sarah Morgan	Independent Non-Executive Director
Peter Navin	Independent Non-Executive Director (from 8 February 2022)
Craig Scroggie	Independent 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:

- Peter Navin, who was appointed as a Non-Executive Director with effect from 8 February 2022.
- Kurt Johnson, resigned from the position of Executive Chairman on 31 March 2022.

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 2022.

	Board		Audit and Risk Committee		Remuneration and Nomination Committee	
	(A)[36]	(B)[37]	(A)[36]	(B)[37]	(A)[36]	(B)[37]
Sam Chandler	13	13	–	–	–	–
Kurt Johnson	13	13	8	8	–	–
Michael Brown	13	13	–	–	6	6
Lisa Hennessy	13	13	8	8	6	6
Sarah Morgan	13	13	8	8	6	6
Peter Navin	12	11	–	–	4	4
Craig Scroggie	13	13	8	5	–	–

The qualifications, experience and roles and responsibilities of directors, including current and recent directorships, are detailed on pages 34 to 35 of the Financial Report.

The remuneration, interests in securities and share options as at 31 December 2022 are detailed in the Remuneration report on pages 30 to 32 of the Financial Report.

The interests in securities and share options as at the date of the Directors' Report are detailed on pages 34 to 35 of the Financial Report.

36. Number of meetings held during the time the Director held office and was eligible to attend as a member.
37. Number of meetings attended.

DIRECTORS' REPORT

Board of Directors

KURT JOHNSON
Non-Executive Chairman

Qualifications

- MBA from Gonzaga University
- Bachelor's Degree from Eastern Washington University

Kurt brings with him over 24 years of management experience in both private and public company leadership roles, leading initial public offerings, mergers and acquisitions, strategic investments, recapitalisations and venture stage investing.

Beyond his well-regarded financial expertise, Kurt has extensive experience from the technology sector, with critical strategy and risk management knowledge, as well as expertise in growing and scaling businesses whilst managing talent development and retention and building highly effective teams.

Kurt previously served as President and CEO of Fastclick (NASDAQ: FSTC), where he led the company to a USD $285 million valuation and sale of Fastclick to ValuClick in 2005. Before this, Kurt served as CFO of ValueClick (NASDAQ: VCLK), where he was instrumental in the company's growth from an early-stage enterprise to a USD $1.4 billion international media technology company. Earlier in his career, Kurt was an investment banker at Olympic Capital Partners in Seattle.

Special responsibilities

- Non-Executive Chairman
- Member of the Audit and Risk Committee

Current ASX listed company directorships

- Nitro Software Limited (since September 2010)

Interests in shares and options

Kurt holds 1,299,541 fully paid ordinary shares and 67,953 NED share rights.

SAM CHANDLER
Executive Director and Chief Executive Officer

A serial entrepreneur, Sam brings with him over 20 years of significant breadth and depth of global operating experience and financial markets.

Sam's deep technological expertise can be seen through his strong leadership of the business strategy. It is this leadership along with an emphasis on innovation, financing the business and building a strong culture, that have all contributed to Nitro's growth.

Sam started his first company at age 16, while still in high school, and his second at age 21, while attending university, before co-founding Nitro. In 2014, Sam was named the Ernst and Young Australian Emerging Entrepreneur of the Year. Sam previously sat on the Board of the Australian Communities Foundation from 2005-2008. He is currently an investor and mentor at Startmate, the leading Australian tech accelerator, and an investor and advisor at Bloom Venture Partners, an early-stage SaaS VC firm in the United States.

Current ASX listed company directorships

- Nitro Software Limited (since September 2010)

Interests in shares and options

Sam holds 2,991,344 fully paid ordinary shares, 2,352,391 options, 267,000 performance rights and 409,408 performance shares.

MICHAEL BROWN
Non-Executive Director

Qualifications

- Bachelor's Degree in Finance and International Business from Georgetown University

Michael brings with him over 27 years of experience and expertise in M&A and capital raisings, with a strong understanding of market trends, customer, and consumer behaviour. He also has a proven track record in developing and implementing strategy with a focus on risk management, growth, and value creation.

Michael currently serves as a General Partner at Battery Ventures, a role he has held since 2007, having joined Battery Ventures in 1998. In his role at Battery Ventures, Michael focuses on growth investments in enterprise-software, financial-services, e-Commerce and technology-enabled business-services companies.

Michael previously served as a member of the high-technology group at Goldman, Sachs & Co., where he focused on debt and equity financings and mergers and acquisitions.

Special responsibilities

- Member of the Remuneration and Nomination Committee

Current ASX listed company directorships

- Nitro Software Limited (since September 2014)

Interests in shares and options

Nil.

LISA HENNESSY

Lead Independent and Non-Executive Director

Qualifications

- MBA from Harvard Business School
- Bachelor's Degree in Electrical Engineering from Purdue University
- Graduate of the Australian Institute of Company Directors

Lisa brings with her over 30 years of strategy and M&A experience, with knowledge and insights on raising funds through debt financing, capital markets, private equity and angel investors.

Lisa also has extensive global experience, working with start-ups both in silicon valley and in Australia, with a focus on strategic execution and building successful corporate cultures and remuneration frameworks.

Lisa previously held executive roles within global organisations and enterprise software businesses, including Bain, General Electric and Del Monte Foods working across the USA, Australia and EMEA.

Special responsibilities

- Member 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)
- Cleanspace Holdings Limited (since December 2021)
- Adore Beauty Group Limited (since June 2022)

Former ASX listed company directorships in the last three years

- Murray River Organics Limited (since August 2016 to January 2018)

Interests in shares and options

Lisa holds 27,480 NED share rights.

SARAH MORGAN

Independent Non-Executive Director

Qualifications

- MBA from the University of Melbourne
- Bachelor's Degree in Mechanical and Manufacturing Engineering from the University of Melbourne
- Graduate of the Australian Institute of Company Directors

Sarah brings with her 19 years financial market experience and 19 years of experience as a private and public company Director.

Prior to becoming a company Director, she spent over 15 years as an Executive Director at Grant Samuel, independent corporate advisory firm, where she specialised in merger and acquisitions, public and private capital raisings and other forms of corporate financial advice.

Sarah also brings significant expertise in listed markets, a strong regulatory background, and a strategic skillset and knowledge of human and social capital management.

Special responsibilities

- Chair of the Audit and Risk Management Committee

Current ASX listed company directorships

- Nitro Software Limited (since November 2019)
- Adslot Limited (since January 2015)
- Whispr Limited (since January 2019)
- Future Generation Global Company Limited (since June 2015)

Former ASX listed company directorships in the last three years

- Hansen Technologies Limited (since October 2014 to December 2019)

Interests in shares and options

Sarah holds 36,641 NED share rights.

CRAIG SCROGGIE

Non-Executive Director

Qualifications

- Advanced Certificate in Information Technology from Box Hill Institute
- Graduate Certificate in Management from the University of Southern Queensland
- Postgraduate Diploma in Management from the University of Southern Queensland
- Master of Business Administration from the University of Southern Queensland
- Graduate and Fellow of the Australian Institute of Company Directors

Craig brings over 25 years of experience in the software and technology industries, with expertise in business strategy and risk management, executive leadership, M&A, and capital raisings. Craig also has a strong track record of success in product sales, business development, and scaling high-growth organisations in the technology industry.

Craig currently serves as the Chief Executive Officer and Managing Director of NEXTDC (ASX:NXT), an ASX Top 100 Public Company. Prior to his appointment as CEO of NEXTDC in June 2012, Craig served as a Non-Executive Director and Chairman of NEXTDC's Audit and Risk Management Committee. Before this, he held senior leadership positions with Symantec, Veritas Software, Computer Associates, EMC Corporation and Fujitsu.

Special responsibilities

- Member of the Audit and Risk Management Committee

Current ASX listed company directorships

- Nitro Software Limited (since September 2021)
- NEXTDC Limited (since June 2012)
- Sovereign Cloud Limited (since December 2021)

Interests in shares and options

Nil.

PETER NAVIN

Non-Executive Director

Qualifications

- BA, American History from The Catholic University of America

Peter brings with him over 30 years of experience as a proven strategic human resources executive driving business performance with deep experience in high growth, multi-product, public and pre-IPO organizations across industries including enterprise, e-commerce, entertainment, healthcare, and banking.

Mr Navin currently serves as the Chief People Officer of the US Olympic and Paralympic Foundation. Prior to that, Mr Navin served as Chief Human Resources Officer at US healthcare provider Grand Rounds (now Included Health) and as Chief Human Resources Officer at DocuSign, where he was responsible for scaling the human resources, internal communications, real estate and workplace services, and philanthropy teams as the company expanded globally. Prior to his time at DocuSign, Mr Navin served as Senior Vice President of Human Resources at Shutterfly.

Mr Navin is also the author of *The CMO of People: Manage employees like customers with an immersive predictable experience that drives productivity and performance.*

Special responsibilities

- Chair of the Remuneration and Nomination Committee

Current ASX listed company directorships

- Nitro Software Limited (since February 2022)

Interests in shares and options

Peter holds 40,401 NED share rights.

Company Secretary

Mark Licciardo (Company Secretary)

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

Officers

The names and roles of other Officers of the Company during FY2022 are shown in "Key Management Personnel" of the Remuneration Report on page 9 of the Financial 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 by PwC are disclosed in note 17 "Auditor's remuneration" to the Consolidated Financial Statements on page 72 of the Financial 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 38 of the Financial 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.

Takeover Update

As at the date of this report, Nitro is the subject of two separate change-of-control proposals:

- A takeover offer from Potentia Capital Management Pty Ltd through Technology Growth Capital LLC (Potentia) of at least A$2.17 cash per Nitro Share (Potentia Takeover Offer); and
- A takeover offer from Cascade Parent Limited (Alludo), a global technology group backed by KKR, for A$2.15 cash per Nitro Share (Alludo Takeover Offer).

The Company notes that the Potentia Takeover Offer has been declared '*best and final*', subject to a superior proposal. Nitro further notes that the Alludo Takeover Offer of A$2.15 per Nitro Share is '*best and final*', with Alludo legally precluded from putting forward a superior proposal.

Full details of the Alludo Takeover offer and Potentia Takeover Offer, including the Nitro Board's recommendation are available on the ASX website (ASX:NTO) and Nitro's Investor Centre.

Likely developments in the operations of the Group

Under the terms of the Implementation Deed, Nitro has been subject to certain restrictions with respect to the conduct of its business until the conclusion of the Alludo Takeover Offer or termination of the Implementation Deed (whichever is earlier). Accordingly, Nitro management has deferred many decisions around investment and cost structures until the resolution of both takeovers.

Subsequent events

The Directors are not aware of any matters or circumstances that have arisen since 31 December 2022, other than those disclosed in relation to the Potentia Takeover Offer and the Alludo Takeover Offer, 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 Financial Report, also forms part of this Directors' Report:

- Operational and Financial Review on pages 1 to 5 of the Financial Report;
- No dividends have been paid, declared or proposed; and
- Remuneration Report on pages 6 to 32.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest US$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
Non-Executive Chairman
28 February 2023

Sam Chandler
Chief Executive Officer
28 February 2023

Auditor's Independence Declaration

As lead auditor for the audit of Nitro Software Limited for the year ended 31 December 2022, 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.

Charles Christie
Partner
PricewaterhouseCoopers

Melbourne
28 February 2023

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

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

Consolidated Statement of Comprehensive Income

		For the year ended	
US$'000	**Note**	**31 Dec 2022**	**31 Dec 2021**
Revenue	5	**66,797**	**50,851**
Cost of revenues	6(b) (i)	(6,912)	(3,995)
Gross profit		**59,885**	**46,856**
Sales and marketing		(41,306)	(31,716)
Research and development		(21,658)	(15,468)
General and administrative		(24,219)	(16,830)
Other income/(loss), (net)		(1,659)	(1,484)
Finance costs		(171)	(117)
Depreciation and amortisation expense		(6,650)	(2,348)
(Loss) before income tax		**(35,778)**	**(21,107)**
Income tax (expense)/benefit	8	(44)	(576)
(Loss) for the year		**(35,822)**	**(21,683)**
Other comprehensive income/(loss)			
Item that may be reclassified to profit or loss			
Adjustment from translation from foreign controlled entities		(4,265)	241
Total comprehensive loss for the period		**(40,088)**	**(21,442)**
Loss per share attributable to equity shareholders			
Earnings per share			
Basic loss per share (US cents per share)	9	(15.0)	(11.0)
Diluted loss per share (US cents per share)	9	(15.0)	(11.0)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

		As at	
US$'000	**Note**	**31 Dec 2022**	**31 Dec 2021**
ASSETS			
Current assets			
Cash and cash equivalents	10	28,043	47,766
Trade receivables	5(b), 11	13,910	11,567
Current tax receivables		–	31
Other current assets	11	4,729	4,558
Total current assets		**46,682**	**63,921**
Non-current assets			
Receivables and contract assets	11	195	–
Property, plant, and equipment	12	666	709
Intangible assets and goodwill	13	80,431	89,580
Right of use assets		2,576	2,508
Other non-current assets	11	6,955	6,040
Total non-current assets		**90,823**	**98,837**
Total assets		**137,505**	**162,758**
LIABILITIES			
Current liabilities			
Trade payables		7,381	6,407
Deferred revenue	5(b)	33,830	26,238
Current tax liability		51	–
Lease liability	15	1,633	1,245
Employee benefits	6	4,239	4,583
Other current liabilities		1,751	1,435
Total current liabilities		**48,885**	**39,908**
Non-current liabilities			
Deferred revenue	5(b)	740	683
Deferred tax liability	8	5,395	6,580
Lease liability	15	1,157	1,292
Total non-current liabilities		**7,292**	**8,555**
Total liabilities		**56,177**	**48,463**
Net assets		**81,328**	**114,295**
EQUITY			
Contributed equity	14	189,624	189,161
Other reserves		15,266	12,874
Accumulated losses		(123,562)	(87,740)
Total equity		**81,328**	**114,295**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

US$'000	Contributed Equity	Treasury Reserve	Warrant Reserve	Employee Equity Benefits Reserve	Foreign Currency Translation Reserve	Accum-ulated Losses	Total Equity
As at 1 January 2022	**206,713**	**(17,552)**	**76**	**15,137**	**(2,340)**	**(87,740)**	**114,295**
Loss for the period	–	–	–	–	–	(35,822)	(35,822)
Other comprehensive income							
Exchange differences from translation of foreign operations	–	–	–	–	(4,265)	–	(4,265)
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(4,265)**	**(35,822)**	**(40,087)**
Transactions with owners of the Company							
Issuance costs on shares	(86)	–	–	–	–	–	(86)
Share-based payment expense	–	–	–	6,658	–	–	6,658
Exercise of options	459	–	–	–	–	–	459
Employee share purchase plan	92	–	–	–	–	–	92
Shares issued to employee share trust	5,277	(5,277)	–	–	–	–	–
Shares issued/allocated to participants	(8,245)	8,245	–	–	–	–	–
Shares bought back		(2)					(2)
As at 31 December 2022	**204,210**	**(14,586)**	**76**	**21,795**	**(6,605)**	**(123,562)**	**81,328**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

US$'000	Contributed Equity	Treasury Reserve	Warrant Reserve	Employee Equity Benefits Reserve	Foreign Currency Translation Reserve	Accum-ulated Losses	Total Equity
As at 1 January 2021	**95,973**	**(5,630)**	**76**	**7,516**	**(2,581)**	**(66,057)**	**29,298**
Loss for the period	–	–	–	–	–	(21,683)	(21,683)
Other comprehensive income							
Exchange differences from translation of foreign operations	–	–	–	–	241	–	241
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**241**	**(21,683)**	**(21,442)**
Transactions with owners of the Company							
Shares issued	101,350	–	–	–	–	–	101,350
Issuance costs on shares	(3,696)	–	–	–	–	–	(3,696)
Share-based payment expense	–	–	–	7,621	–	–	7,621
Exercise of options	1,186	–	–	–	–	–	1,186
Shares issued to employee share trust	26,934	(26,934)	–	–	–	–	–
Shares issued/allocated to participants	(15,012)	15,012	–	–	–	–	–
Withholding taxes paid	(22)	–	–	–	–	–	(22)
As at 31 December 2021	**206,711**	**(17,552)**	**76**	**15,137**	**(2,340)**	**(87,740)**	**114,295**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

	For the year ended	
US$'000	**31 Dec 2022**	**31 Dec 2021**
Cash flows from operating activities		
Loss for the year	(35,822)	(21,683)
Add back		
Depreciation and amortisation	6,650	2,348
Share-based payments	6,675	7,618
Finance costs	171	117
Asset write-offs	41	24
Net exchange differences	2,806	2,663
Change in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	(3,228)	(5,807)
(Increase)/decrease in deferred tax assets	27	29
(Increase)/decrease in tax receivable	(51)	(12)
(Increase)/decrease in other receivables	(182)	(526)
Increase/(decrease) in trade and other payables	1,575	2,095
Increase/(decrease) in deferred income	7,562	3,066
Increase/(decrease) in provision for income taxes	115	46
Increase/(decrease) in deferred tax liability	(1,567)	(30)
Net cash inflow/(outflow) from operating activities	**(15,228)**	**(10,052)**
Cash flows from investing activities		
Payments for property, plant and equipment	(486)	(396)
Proceeds from sale of property, plant and equipment	1	–
Payments for intangible assets	–	(6,106)
Payments for acquisition of Connective NV	–	(75,678)
Net cash inflow/(outflow) from investing activities	**(485)**	**(82,180)**
Cash flows from financing activities		
Proceeds from issue of ordinary shares	–	101,350
Proceeds from exercise of share options	459	1,201
Proceeds from employee share purchase plan	92	–
Transaction costs related to issue of shares	(850)	(2,934)
Finance cost paid	(171)	(117)
Payment for leases	(1,491)	(1,323)
Withholding taxes paid	–	(22)
Net cash inflow/(outflow) from financing activities	**(1,961)**	**98,155**
Net increase/(decrease) in cash and cash equivalents	**(17,674)**	**5,922**
Cash and cash equivalents at the beginning of the period	**47,766**	**43,749**
Effect of movement in exchange rates on cash held	**(2,049)**	**(1,905)**
Cash and cash equivalents at the end of the period	**28,043**	**47,766**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

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 2022 of Nitro and its subsidiaries (together referred to as 'the Group').

The principal activity of the Group during the financial year was providing software and support services in relation to document productivity and eSigning.

b. Authorisation for issue

These consolidated financial statements have been authorised for issue by a resolution of the Board of Directors on 28 February 2023.

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 Limited ('Company' or 'Parent Entity') as at 31 December 2022 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**	**2022**	**2021**
Nitro Software Inc	United States of America	100%	100%
Nitro Software EMEA Limited	Ireland	100%	100%
Nitro Software Canada Limited	Canada	100%	100%
Connective NV	Belgium	100%	100%
Connective SAS	France	100%	100%
Connective Digital Transformation SL	Spain	100%	100%
Nitro Software GmbH	Germany	100%	–
Nitro Software Hungary Kft	Hungary	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 outflows, cash inflows from operations and cash and cash equivalents as at the date of the balance sheet.

d. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for share based payments and identifiable assets and liabilities acquired in a business combination which are measured at fair value.

e. Functional and presentation currency

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

f. Foreign currency

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

Foreign currency item	Applicable exchange rate
Transactions	Date of the underlying transaction
Monetary assets and liabilities	Period-end rate
Non-monetary assets and liabilities	Date of the underlying transaction

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

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

Foreign currency item	Applicable exchange rate
Income and expenses	Date of the underlying transaction
Assets and liabilities	Period-end rate
Equity and reserves	Historical rate

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

g. Use of judgements and estimates

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

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

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

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

- Revenue recognition (Refer note 5);
- Share-based payments (Refer note 7);
- Business combinations (Refer note 3); and
- Impairment of goodwill (Refer note 13).

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:

- 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 2022 which are as follows:

- *COVID-19-Related Rent Concessions (Amendment to AASB 16)).*
- AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform (*AASB 7, AASB 9* and *AASB 139*).
- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments (*AASB 1, AASB 3, AASB 9, AASB 116, AASB 137 & AASB 141*).

The new standards effective from 1 January 2022 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 2022 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. Business combinations

Accounting policy

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

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

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity.

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Acquisition of Connective NV

On 20 December 2021, the Company acquired all outstanding stock of Connective NV, Belgium. ("Connective") for cash consideration of US$79.7 million.

The purchase accounting for this transaction is now completed and there were no changes in the fair value of identifiable assets and liabilities acquired. These results are consolidated into the group 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. Since the Group has one operating segment the reconciliation to the segment profit and loss and assets and liabilities of the segment are not separately disclosed as these are identical to those disclosed in the statement of comprehensive income and the statement of financial position. The disclosure by product characteristics has been provided as they would be relevant to the user of the financial statements.

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

	2022			2021		
US$'000	**Subscription**	**Perpetual**	**Total**	**Subscription**	**Perpetual**	**Total**
Revenue	50,594	16,203	66,797	33,759	17,092	50,851
Cost of revenues	(5,262)	(1,650)	(6,912)	(1,842)	(2,153)	(3,995)
Gross profit	**45,332**	**14,553**	**59,885**	**31,917**	**14,939**	**46,856**
Gross margin	*90%*	*90%*	*90%*	*95%*	*87%*	*92%*

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 licenses, 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	2022	2021
Subscription	50,594	33,759
Perpetual licences	15,037	14,492
Maintenance and support	1,166	2,600
Total revenue	**66,797**	**50,851**
Subscription revenue as a % of total revenue	*76%*	*66%*

Timing of revenue recognition

US$'000	2022	2021
Products and services transferred at a point in time	15,339	14,499
Products and services transferred at over time	51,458	36,352
Total revenue	**66,797**	**50,851**
Revenue recognised at a point in time as a % of total revenue	*23%*	*29%*
Revenue recognised over time as a % of total revenue	*77%*	*71%*

b. Receivables, contract assets and contract liabilities

US$'000	2022	2021
ASSETS		
Trade receivables, net	13,910	11,567
Contract assets, net	1,566	198
Contract acquisition costs	6,635	5,901
LIABILITIES		
Deferred revenue	34,570	26,921

During the year ended 31 December 2022, approximately US$26.2 million (FY2021: US$21.0 million) of revenue was recognised that was included in the opening balance of deferred revenue.

c. Transaction price allocated to remaining performance obligations

US$'000	2023	2024	2025	2026	2027	2028	TOTAL
Subscription revenue	47,478	22,266	9,926	1,692	201	85	81,648
Maintenance and support	232	41	–	–	–	–	273
Total	**47,710**	**22,307**	**9,926**	**1,692**	**201**	**85**	**81,921**
% of total	***58.2%***	***27.2%***	***12.1%***	***2.1%***	***0.2%***	***0.1%***	***100.0%***

Remaining performance obligations represent 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 US$81.9 million as of 31 December 2022. Approximately 58% of the remaining performance obligations are expected to be recognised over the next 12 months with the remainder recognised thereafter.

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 licenses, accounted for as a single performance obligation. Revenue is recognised net of allowances for returns and any taxes collected from customers, which are subsequently remitted to governmental authorities.

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

Type of product or service	Nature and timing of satisfaction of the performance obligations, including significant payment terms	Revenue recognition policies
Subscription agreements for • Fully hosted subscription services ('SaaS')	• In relation to SaaS, customers are granted access to the software, without taking possession of the software. • Support and maintenance arrangements are built into all subscription agreements. • Subscription periods are typically entered into for 36 months and are billed annually in advance. • All contracts have automatic renewal for a period of 12 months unless otherwise notified in writing prior to expiration of the contract term. • Subscription services represent a single obligation to provide continuous access to the software, maintenance and support including upgrades on an "if and when available" basis. • As each day of providing access to the software is substantially the same and the customer simultaneously receives and consumes the benefit as access is provided, the Group has determined that its subscriptions services arrangement include a single performance obligation comprised of a series of distinct services. • Customers are able to generate new user licence keys for additional users after initial delivery of the initial software licence key through issuance of an order. This is treated as an amendment to the contract and invoiced accordingly.	Revenue from the Company's subscription services is recognised over time on a straight-line basis over the contract term beginning on the date that the Company's application suite or product is made available to the customer. In relation to automatic renewals, revenue is recognised over time on a straight-line basis based on the amount the Company expects to receive in relation to these services.

Type of product or service	Nature and timing of satisfaction of the performance obligations, including significant payment terms	Revenue recognition policies
• Sale of perpetual licence for on-device or desktop software	• Customers obtain control of the software upon delivery of the software licence key. • 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 delivered 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 a 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 represent deferred revenue which primarily consists of billings or payments received in advance of revenue recognition from subscription services, including non-cancellable and non-refundable committed funds and deposits. Deferred revenue is recognised as revenue when transfer of control to customers has occurred. Customers are typically invoiced for these agreements in regular instalments and revenue is recognised on a straight-line basis over the contractual subscription period.

The deferred revenue balance is influenced by several factors, including seasonality, the compounding effects of renewals, invoice duration, invoice timing, size and new business linearity within the period. 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 acquisition costs

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

The costs capitalised under the AASB 15 include sales commissions paid to our sales force personnel and channel partners, resellers and third parties. Capitalised costs may also include portions of fringe benefits and payroll taxes associated with compensation for incremental costs to acquire customer contracts and incentive payments to partners. Capitalised costs to obtain a contract are amortised over the expected period of benefit, which is determined, based on the Group's analysis, to be 3 years. 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 evaluates whether there have been changes in the underlying assumptions and data used to determine the amortisation period.

6. Other income and expenses

a. Other income

Other income/expense US$'000	2022	2021
Foreign exchange losses, net	(1,730)	(1,471)
Interest income	127	11
Other income/(loss)	(56)	(24)
Total	**(1,659)**	**(1,484)**

Interest income

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

b. Expenses

i. Cost of revenues:

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.

ii. Employee benefits:

Employee benefit expenses US$'000	2022	2021
Wages and salaries	46,861	37,254
Superannuation	246	176
Share-based payments	6,675	7,618
Employee benefit expenses	**53,782**	**45,048**

Employee benefit liabilities US$'000	2022	2021
Accrued wages	3,393	3,753
Compensated absences	821	815
Long service leave	25	15
	4,239	**4,583**

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.

7. Share-based payments

Accounting policy

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 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.

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 2022:

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 closing price of its common stock prior to the date of grant. During the year, 470,000 (FY2021: 1,257,467) unlisted options were issued to eligible employees. None of these options were issued to key managerial personnel ('KMP') of the Group in FY2022 (FY2021: Nil). The following table summarises the movements in the number of options outstanding as at 31 December 2022.

	2022		2021	
	No.	WAEP[1]	No.	WAEP[1]
Outstanding at the beginning of the year	10,352,034	1.44	18,596,827	0.95
Granted during the year	470,000	1.64	1,257,467	2.93
Forfeited during the year	(874,522)	2.16	(1,621,675)	1.96
Exercised during the year	(967,462)	0.69	(7,880,585)	0.40
Outstanding at the end of the year	**8,980,050**	**1.47**	**10,352,034**	**1.44**
Exercisable at the end of the year	**6,716,294**	**1.23**	**6,581,018**	**1.01**
Weighted average remaining contractual life in years	**6.09**		**7.00**	

1. Weighted average exercise price in Australian Dollars.

The weighted average share price at the time of exercise of options during FY2022 was A$1.68 per share, and during FY2021 was A$3.44 per share.

b. Performance shares and performance rights

The Company recognises share-based payment expense over the vesting term of the performance shares and 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 pages 18 and 29 of the Financial Report.

Market-based vesting conditions

During FY2022, Nil (FY2021: 387,415) performance shares and 284,074 (FY2021: 25,845) performance rights were issued to the senior executives of the Group. In addition to the requisite service period, these performance awards contain a market-based vesting condition based on relative total shareholder return.

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 FY2022 Nil, (in FY2021: 387,414) performance shares and 284,086 (FY2021: 25,845) performance rights were issued to the senior executives of the Group. In addition to the requisite service period, these stock units contain performance-based vesting conditions based on an 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 2022.

	Performance rights			
	2022		2021	
	No.	WAFV[1]	No.	WAFV[1]
Outstanding at the beginning of the year	1,005,016	1.88	2,206,454	1.55
Granted during the year	568,160	2.34	51,690	2.96
Forfeited during the year	(51,690)	2.96	(522,154)	1.63
Vested during the year	(953,326)	1.82	(730,974)	1.14
Outstanding at the end of the year	**568,160**	**2.34**	**1,005,016**	**1.88**

1. Weighted average fair value of the award on grant date in Australian Dollars.

	Performance Shares			
	2022		2021	
	No.	WAFV[1]	No.	WAFV[1]
Outstanding at the beginning of the year	704,376	2.48	–	–
Granted during the year	–	–	774,829	2.48
Forfeited during the year	(21,770)	2.44	(70,453)	2.44
Vested during the year	–	–	–	–
Outstanding at the end of the year	**682,606**	**2.48**	**704,376**	**2.48**

1. Weighted average fair value of the award on grant date in Australian Dollars.

c. Share awards

During the year ended 31 December 2022, the Company issued 5,689,919 shares (FY2021: 3,493,424) to employees of the Group. None of these awards in FY2022 (FY2021: Nil) were issued to KMP. Detailed terms and conditions are included in the Remuneration Report on page 20 of the Financial Report.

These awards generally vest over a period of four years. The fair value was measured based upon the closing price of the Company's shares on the date of the award. The following table summarises the movements in the awards granted including the weighted average fair values.

	Restricted Share Awards			
	2022		2021	
	No.	WAFV[1]	No.	WAFV[1]
Outstanding at the beginning of the year	5,395,545	2.93	2,705,644	2.56
Granted during the year	5,689,919	1.63	3,493,424	3.07
Forfeited during the year	(1,359,586)	2.17	(803,523)	2.67
Released during the year	(2,470,746)	2.89	–	2.56
Outstanding at the end of the year	**7,255,132**	**2.07**	**5,395,545**	**2.93**
Vested as at the end of the year	**329,977**		**845,819**	

1. Weighted average fair value of the award on grant date in Australian Dollars.

d. Employee share purchase plan

During the year ended 31 December 2022, the board of directors adopted, approved the ESPP. The ESPP allows eligible employees to purchase shares of our common stock at a discounted price by accumulating funds, normally through payroll deductions, of up to 12% of their earnings. The purchase price for common stock under the ESPP is equal to 85% of the fair market value of our common stock on the first or last day of the offering period, whichever is lower. The ESPP provides for separate six-month offering periods that begin in the first and third quarter of each year.

e. Non-Executive Directors (NED) share rights plan

During the year ended 31 December 2022, the Board adopted the NED share rights plan, under which the Non-executive Directors may increase their holdings of Shares in the Company in order to share in the growth of the business and more closely align their interests with those of shareholders.

The NED share rights plan provides for Non-executive Directors to sacrifice a percentage of their fees over an agreed period and to be granted rights to acquire a number of Shares reflecting the amount to be sacrificed over the period. The participating Directors' fees are reduced in equal amounts each month during the participation period. NED share rights are granted for no consideration at the beginning of the period during which salary sacrifices are made and vest into Shares at the end of that period. For the rights granted during the year, the price on which the number of granted NED share rights was calculated was the volume weighted average closing price of Shares on ASX in the 20 trading days after the results release date for FY2021.

f. Estimation of fair value

The Company estimates the fair value of the options and employee share purchase plan ('ESPP') on the date of grant using the Black-Scholes option-pricing model and the performance awards using the Monte Carlo model. The 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 options, ESPP and performance awards granted during the year ended 31 December 2022 and year ended 31 December 2021 were estimated on the grant date using the assumptions set out below.

Date of grant	Date of expiry	Exercise price	Fair value at grant date	Expected price volatility %	Dividend yield %	Risk free rate	Remaining contractual life (years)
Valuation assumptions for options issued in 2022							
3 Jun 22	3 Jun 22	AUD 1.41	AUD 0.82	61%	0%	3.25%	9.43
9 Sep 22	9 Sep 22	AUD 1.67	AUD 1.01	64%	0%	3.30%	9.70
Valuation assumptions for options issued in 2021							
21 Jan 21	20 Jan 31	AUD 3.05	AUD 1.82	63%	0%	0.50%	9.06
24 Mar 21	23 Mar 31	AUD 2.60	AUD 1.49	63%	0%	0.83%	9.23
21 May 21	20 May 31	AUD 2.75	AUD 1.56	63%	0%	0.88%	9.39
26 Aug 21	25 Aug 31	AUD 3.41	AUD 1.83	62%	0%	0.70%	9.66
24 Sep 21	26 Sep 31	AUD 3.67	AUD 2.11	62%	0%	0.87%	9.75
28 Oct 21	27 Oct 31	AUD 3.58	AUD 2.19	61%	0%	1.54%	9.83
27 Dec 21	27 Dec 31	AUD 2.40	AUD 1.37	61%	0%	1.36%	10.00

Date of grant	Date of vesting	Share price on grant date	Fair value at grant date	Expected price volatility %	Dividend yield %	Risk free rate	Remaining contractual life (years)
Valuation assumptions for market based vesting conditions relating to the performance rights issued in 2022							
14 Nov 22	31 Dec 24	AUD 2.06	AUD 2.61	63.8%	0%	3.16%	2.13
Valuation assumptions for market based vesting conditions relating to the performance rights issued in 2021							
21 Jan 21	31 Dec 22	AUD 3.15	2.76	67.2%	0%	0.08%	1.94

Date of grant	Date of vesting	Share price on grant date	Fair value at grant date	Expected price volatility %	Dividend yield %	Risk free rate	Remaining contractual life (years)
Valuation assumptions for market based vesting conditions relating to the performance rights issued in 2022							
No performance shares were issued during the year.							
Valuation assumptions for market based vesting conditions relating to the performance shares issued in 2021							
21 May 21	31 Dec 23	AUD 2.75	AUD 2.12	66.8%	0%	0.09%	2.61
29 Nov 21	31 Dec 23	AUD 3.40	AUD 2.62	60.7%	0%	0.56%	2.09

Date of grant	Date of expiry	Exercise price	Fair value at grant date	Expected price volatility %	Dividend yield %	Risk free rate
Valuation assumptions for ESPP purchase right issued in 2022						
1 Oct 22	28 Feb 23	AUD 1.37	AUD 0.67	87%	0%	0.86%

g. Expense summary

For the year ended 31 December 2022, the Group recognised US$6.7 million of share-based payment expense (FY2021: US$7.62 million) in relation to:

- stock options US$0.85 million (FY2021: US$2.06 million);
- share awards US$5.01 million (FY2021: US$4.22 million);
- performance rights and performance shares US$0.6 million (FY2021: US$1.34 million);
- NED share rights plan US$0.16 million (FY2021: Nil); and
- Employee share purchase plan US$0.04 million (FY2021: Nil).

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.

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**	**2022**	**2021**
Current tax expense	923	576
Deferred tax expense	(879)	–
Income tax (benefit)/expense	**44**	**576**

Numerical reconciliation of income tax expense to prima facie tax payable **US$'000**	**2022**	**2021**
Loss before income tax	**(35,778)**	**(21,107)**
Tax at the Australian Tax rate of 30% (FY2021: 30%)	**10,733**	**6,332**
Tax effect of amounts which are not deductible in calculating taxable income		
Other deductible/non-deductible expenses	(2,002)	(2,285)
Effect of lower tax rates in foreign jurisdictions	(1,853)	(1,253)
Current year losses for which no deferred tax is recognised	(6,921)	(3,370)
	(44)	**(576)**

The Group has unused tax losses of US$129.6 million (FY2021: US$108.0 million) which have not been recognised as a deferred tax asset. Included in the same are:

- Unused tax losses incurred by the Group's United States operations are US$103.0 million (FY2021: US$84.5 million) and is not likely that they will generate taxable income in the foreseeable future. The Group has undertaken an assessment of the eligibility to carry forward these losses in the future during the current year and none of these losses are impaired.
- Unused tax losses of US$ 24.4 million (FY2021: US$22.0 million) arising from the acquisition of Connective, which has not been recognised as a deferred tax asset. The Group is currently undertaking an assessment of the eligibility to carry forward these losses in the future.

US$'000	**Balance at 1 January 2022**	**Recognised in the income statement**	**Recognised in equity**	**On account of business combinations**	**Balance at 31 Dec 2022**
Deferred tax asset/(liability)					
Property, plant and equipment	(6)	(22)	–	–	(28)
Intangibles	(6,574)	1,207	–	–	(5,367)
Net deferred tax asset/(liability)	**(6,580)**	**1,185**	**–**	**–**	**(5,395)**
Deferred tax asset	–	–	–	–	–
Deferred tax liability	**(6,580)**	–	–	–	**(5,395)**

US$'000	Balance at 1 January 2021	Recognised in the income statement	Recognised in equity	On account of business combinations	Balance at 31 Dec 2021
Deferred tax asset/(liability)					
Provisions and accruals	41	(41)	–	–	–
Property, plant and equipment	(9)	3	–	–	(6)
Intangibles	–	38		(6,612)	(6,574)
Net deferred tax asset/(liability)	**32**	**–**	**–**	**(6,612)**	**(6,580)**
Deferred tax asset	**32**				**–**
Deferred tax liability	**–**				**(6,580)**

9. Earnings per share

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

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

US$'000	2022	2021
Net loss attributable to ordinary equity holders	(35,822)	(21,683)
Net loss used in calculating diluted earnings per share	(35,822)	(21,683)

Weighted average number of ordinary shares on issue used in the calculation of	2022	2021
Basic earnings per share	239,564,857	196,507,024
Diluted earnings per share	239,564,857	196,507,024

Earnings per share (US cents per share)	2022	2021
Basic	(15.0)	(11.0)
Diluted	(15.0)	(11.0)

For the year ended 31 December 2022, the Group's only potential dilutive ordinary shares are employee share options and share awards under Nitro's employee equity incentive plan. Diluted earnings per share calculation excludes instruments which are considered anti-dilutive. For the year ended 31 December 2022, 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

US$'000	2022	2021
Bank balances	28,043	47,766

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

11. Trade and other receivables

US$'000	2022	2021
Trade receivables, net	13,910	11,567
Contract assets, net	1,566	198
Contract acquisition costs, net (refer note 5)	6,635	5,901
Prepayments	1,693	2,444
Other receivables due from related parties[1]	15	–
Others[2]	1,969	2,055
	25,788	**22,165**
Trade and other receivables		
Current	*18,639*	*16,125*
Non-current	*7,149*	*6,040*

1. The amount represents receivable from the CEO. Refer note 18 for details.
2. Included in other receivables are deposits in banks held as security deposits in relation to leased offices premises of US$0.6 million (FY2021: US$0.6 million).

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	2022	2021
Loss allowance at the beginning of the year	**47**	**31**
(Reversal)/provision for loss allowance	88	21
Write offs	–	(5)
Recovery of balances written off	–	–
Loss allowance at the end of the year	*135*	*47*

Accounting policy:

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 months 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	2022			2021		
	Amount	Loss allowance	Rate	Amount	Loss allowance	Rate
Current	10,437	102	0.97%	8,446	36	0.42%
0 to 30 days overdue	1,634	21	1.27%	1,671	7	0.43%
31 to 60 days overdue	418	6	1.43%	432	2	0.48%
61 to 90 days overdue	286	3	1.17%	359	1	0.33%
More than 90 days overdue	1,270	3	0.27%	707	1	0.17%
Total	**14,024**	**135**	**0.96%**	**11,615**	**47**	**0.41%**

12. Property, plant and equipment

Reconciliation of carrying amounts 2022 US$'000	Plant and Equipment	Furniture, Fittings and Equipment	Leasehold Improvements	Construction in Progress	Total
Carrying value at the beginning of the year	**417**	**46**	**225**	**21**	**709**
Additions	445	26	15	–	486
Acquired through business combinations	–	–	–	–	–
Amortisation	(282)	(23)	(112)	–	(417)
Disposals	(16)	(1)	(31)	(12)	(60)
FX adjustments	(13)	(3)	(35)	(1)	(52)
Carrying value at the end of the year	**551**	**45**	**62**	**8**	**666**
As at 31 December 2022					
Cost	1,252	84	92	8	1,437
Accumulated depreciation	(701)	(39)	(30)	–	(770)
Carrying value at the end of the year	**551**	**45**	**62**	**8**	**666**

Reconciliation of carrying amounts 2021 US$'000	Plant and Equipment	Furniture, Fittings and Equipment	Leasehold Improvements	Construction in Progress	Total
Carrying value at the beginning of the year	**213**	**16**	**278**	**–**	**507**
Additions	293	–	49	20	362
Acquired through business combinations	51	42	77	–	170
Amortisation	(153)	(10)	(138)	–	(301)
Disposals	–	(2)	(22)	–	(24)
FX adjustments	13	–	(19)	1	(5)
Carrying value at the end of the year	**417**	**46**	**225**	**21**	**709**
As at 31 December 2021					
Cost	859	137	525	21	1,542
Accumulated depreciation	(442)	(91)	(300)	–	(833)
Carrying value at the end of the year	**417**	**46**	**225**	**21**	**709**

Accounting policy: Property, plant and equipment

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

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

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

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

13. Intangible assets

Reconciliation of Carrying Amounts 2022 US$'000	Goodwill	Commercialised Software	Customer Lists	Backlog	Trademarks	Intellectual Property	Software	Domains	Total
Carrying value at the beginning of the year	**58,467**	**20,524**	**9,474**	**891**	**223**	**–**	**–**	**–**	**89,580**
Additions	–	12	–	–	–	–	–	–	12
Amortisation	–	(3,007)	(1,125)	(429)	(107)	–	–	–	(4,668)
Disposals	–	–	–	–	–	–	–	–	–
FX adjustments	(3,126)	(801)	(505)	(47)	(12)	–	–	–	(4,493)
Carrying value at the end of the year	**55,341**	**16,728**	**7,844**	**415**	**103**	**–**	**–**	**–**	**80,431**
As at 31 December 2022									
Cost	55,341	31,842	9,024	858	214	3	723	43	98,048
Accumulated depreciation	–	(15,114)	(1,180)	(443)	(111)	(3)	(723)	(43)	(17,617)
Carrying value at the end of the year	**55,341**	**16,728**	**7,844**	**415**	**103**	**–**	**–**	**–**	**80,431**

During the year ended 31 December 2022, all research and development costs were expensed as they did not meet the recognition and measurement criteria under the AASB 138.

Reconciliation of Carrying Amounts 2021 US$'000	Goodwill	Commercialised Software	Customer Lists	Backlog	Trademarks	Intellectual Property	Software	Domains	Total
Carrying value at the beginning of the year	**–**	**–**				**1**	**–**	**–**	**1**
Additions	–	6,106	–	–	–	–	–	–	6,106
Acquired through business combinations	58,563	15,060	9,512	906	226	–	–	–	84,267
Amortisation	–	(644)	(39)	(15)	(3)	–	–	–	(701)
FX adjustments	(96)	2	1	0	0	(1)	–	–	(93)
Carrying value at the end of the year	**58,467**	**20,524**	**9,474**	**891**	**223**	**0**	**–**	**–**	**89,580**
As at 31 December 2021									
Cost	58,467	32,634	9,531	906	226	3	723	43	102,534
Accumulated depreciation	–	(12,110)	(57)	(15)	(3)	(3)	(723)	(43)	(12,954)
Carrying value at the end of the year	**58,467**	**20,524**	**9,474**	**891**	**223**	**0**	**–**	**–**	**89,580**

Included in additions above are costs of acquisition of PDF Pen software from Smile, Inc. for US$6.0 million and associated costs to bring the software to its intended use.

During the year ended 31 December 2021, all research and development costs were expensed as they did not meet the recognition and measurement criteria under the AASB 138.

Accounting policy: Intangible assets

Trademarks, commercialised software, backlog and customer lists

Separately acquired trademarks and commercialised software are shown at historical cost. Trademarks, commercialised software, backlog and customer lists acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

Internally developed software

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.

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.

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

- Commercialised software 12.5% to 20%
- Customer lists 12.5%
- Backlog 50%
- Trademarks 50%
- Domains 33%

Accounting policy: Impairment of assets

Intangible assets that have a finite useful life 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

Key accounting estimates and judgments – Recoverability of other finite life intangible assets

Other intangible assets with finite life are reviewed at each reporting period to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). The recoverable amount is the higher of fair value less costs of disposal and value in use. If an impairment occurs, a loss is recognized in profit or loss for the amount by which an asset's carrying amount exceeds its recoverable amount. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit ('CGU') to which the asset belongs.

Accounting policy: Goodwill

Goodwill is measured as described in note 3. Goodwill represents the excess of purchase consideration over the fair value of identifiable assets and liabilities acquired and is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

Impairment testing of goodwill

The carrying amount of goodwill is tested for impairment annually at 31 December and whenever there is an indicator that the asset may be impaired. If an asset is deemed to be impaired, it is written down to its recoverable amount. For the purposes of impairment testing, goodwill is allocated to each of the CGUs, or group of CGUs, expected to benefit from the synergies of the business combination. A CGU is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or group of assets.

At 31 December 2022, the lowest level within the Group for which information about goodwill is monitored for internal management purposes is the consolidated Group, which comprises a group of CGUs. All acquisitions are made with the intention of delivering benefits of revenue growth and synergy to the Group. All CGUs are expected to benefit from synergies and sharing of expertise from these acquisitions.

Key accounting estimates and judgments – Impairment testing of goodwill

Determining whether goodwill is impaired requires judgment to allocate goodwill to CGUs and judgment and assumptions to estimate the fair value of a CGU or group of CGUs. The Group has determined that goodwill is tested at a single group of CGU level. The valuation model (being a fair value less cost of disposal model) which is used to estimate the recoverable amount of the group of CGUs, requires an estimate of the future cash flows expected to arise from the group of CGUs and a suitable discount rate in order to calculate net present value.

Key assumptions in the Group’s fair value less cost of disposal model

The Group has determined the recoverable amount by assessing the fair value less costs of disposal (FVLCD) of the underlying assets using a discounted cashflow forecast over 10 years. The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation. No impairment was identified due to the recoverable amount exceeding the carrying value.

The goodwill included for the purpose of the test arose on the acquisition of Connective NV on 20 December 2021.

The Group’s approach and the key assumptions used to determine the CGU’s FVLCOD were as follows:

- Revenue growth rate between 13.8% to 24.4% from FY2023 to FY2025 based on past performance and the Group’s expectations of market development, reducing to 6.2% in FY2032 based on industry benchmarks for long term growth rates.
- Terminal growth rate of 3% reflective of long-term inflation targets.
- A post tax discount rate of 12% which reflects specific risks relating to the business and the countries in which Nitro primarily operates.

The Group consider that there are no reasonably possible changes in subscription revenue forecasts, operating cost estimates or the discount rate that would, in isolation, result in the estimated recoverable amount being equal to the carrying amount.

14. Equity shares

	Equity Securities			
	2022		2021	
	No.	US$'000	No.	US$'000
Balance at the beginning of the year	**246,186,622**	**206,713**	**193,058,522**	**95,973**
Exercise of options	967,462	459	7,880,585	1,186
Employee share purchase plan	99,477	92	–	–
Settlement of vested performance rights	730,974	–	–	–
Release of restricted share awards	2,470,746	–	–	–
Shares issued to the employee share trust	5,380,793	5,277	12,317,306	26,934
Shares allocated to participants from the employee share trust	(4,244,156)	(8,245)	(7,404,169)	(15,012)
Shares withheld in relation to cashless exercise of options	(24,503)	–	(466,042)	–
Withholding taxes paid to tax authorities	–	–	(10,374)	(22)
Issue of shares	–	–	40,810,794	101,350
Expenses directly attributable to the issue of shares	–	(86)	–	(3,696)
Balance at the end of the year including treasury shares	**251,567,415**	**204,210**	**246,186,622**	**206,713**
Treasury shares unallocated	(9,157,676)	(14,586)	(8,017,102)	(17,552)
Balance at the end of the year excluding treasury shares	**242,409,739**	**189,624**	**238,169,520**	**189,161**

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. Options

As at 31 December 2022 there were 8,980,050 vested and unvested options on issue (31 December 2021: 10,352,034) (refer note 7 for details).

c. 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

The balance in Treasury Reserve as at 31 December 2022 represents book value of 9,157,676 shares (FY2021: 8,017,102 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			
	2022		2021	
	No.	US$'000	No.	US$'000
Balance at the beginning of the year	**8,017,102**	**17,552**	**3,103,965**	**5,630**
Issue of shares to the employee share trust	5,380,793	5,277	12,317,306	26,934
Shares allocated to participants from the employee share trust	(4,244,156)	(8,245)	(7,404,169)	(15,012)
Forfeited shares bought back	3,937	2	–	–
Balance at the end of the year	**9,157,676**	**14,586**	**8,017,102**	**17,552**

15. Leases and Right to use assets

Reconciliation of carrying amounts of right to use assets US$'000	**2022**	**2021**
Carrying value at the beginning of the year	**2,508**	**1,808**
Additions	1,751	1,478
Acquired through business combinations	–	629
Amortisation	(1,589)	(1,331)
FX adjustments	(94)	(76)
Carrying value at the end of the year	**2,576**	**2,508**

US$'000	**2022**	**2021**
Cost	3,608	4,764
Accumulated depreciation	(1,032)	(2,256)
Carrying value at the end of the year	**2,576**	**2,508**

Lease liabilities – maturity analysis US$'000	**2022**	**2021**
Contractual undiscounted cash flows		
– Less than one year	1,746	1,278
– One to five years	1,234	1,452
Total undiscounted lease liabilities as at the end of the year	**2,980**	**2,730**
Lease liabilities included in the statement of financial position	**2,790**	**2,537**
– *Current*	*1,633*	*1,245*
– Non-current	*1,157*	*1,292*

Amounts recognised in profit or loss US$'000	2022	2021
Interest on lease liabilities	159	107
Expenses relating to short-term leases	8	12
Expenses relating to leases of low value assets, excluding short-term leases of low value assets	–	–

Amounts recognised in the statement of cash flows US$'000	2022	2021
Total cash outflow for leases	1,491	1,323

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 price. However, for leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable because the lease is 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:

	Lease liabilities	
US$'000	**2022**	**2021**
Balance as at the beginning of the year	**2,537**	**1,669**
Payment for leases	(1,491)	(1,323)
Changes from financing cash flows	**(1,491)**	**(1,323)**
Effect of changes in foreign exchange rates	**6**	**83**
Other changes		
Finance costs	159	107
Finance costs paid	(159)	(107)
New leases	1,751	2,107
Subtotal other changes	**1,751**	**2,107**
Balance at the end of the year	**2,790**	**2,536**

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

b. Market risk

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

i. Foreign exchange risk

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

Exposure to foreign currency risk

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

US$'000 As at 31 December	2022 AUD	2022 EUR	2022 GBP	2022 CAD	2022 HUF	2021 AUD	2021 EUR	2021 GBP	2021 CAD
Cash and cash equivalents	6,435	7,407	890	678	–	10,526	17,481	982	1
Trade and other receivables	2,359	6,551	1,148	196	208	1,350	3,246	648	376
Trade and other payables	5,151	4,570	457	741	20,188	3,252	3,503	417	383
Loans and borrowings	–	1,179	–	–	–	–	4,102	–	–

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	2022	2021
10% increase	(1,233)	(2,491)
10% decrease	1,507	3,045

ii. 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 2022, 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.

2022 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	13,369	–	–	13,369	13,369
Lease Liability	1,633	1,157	–	2,980	2,790
Total non-derivatives	**15,002**	**1,157**	**–**	**16,348**	**16,159**

2021 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	12,426	–	–	12,426	12,426
Lease Liability	1,245	1,291	–	2,730	2,536
Total non-derivatives	**13,671**	**1,291**	**–**	**15,156**	**14,962**

As at 31 December 2022, the Company has a working capital deficiency of US$2.2 million (FY2021: Nil). This deficiency has arisen primarily on account of the increase in deferred revenue as at 31 December 2022.

As detailed in the accounting policy for contract liabilities in Note 5 of the financial report, we bill customers in advance for our service, which results in deferred revenue being recognised on our balance sheet. As at 31 December 2022, the deferred revenue was US$33.8 million (FY2021: US$26.2 million).

This deferred revenue is not like other liabilities in that the deferred revenue liability reduces over time through the delivery of the service and there isn't a cash outflow on the company.

17. Auditors' remuneration

The following table summarises the fees for services provided by the Group's auditors, PricewaterhouseCoopers (PwC) Australia, and its network firms:

	PwC Australia		Network firms of PwC Australia		Total	
US$'000	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Assurance services						
Audit and review of financial statements	312	333	40	37	352	370
Other assurance services	13	5	–	–	13	5
Total assurance services	**325**	**338**	**40**	**37**	**365**	**375**
Non-assurance services						
Due diligence services and other services	–	343	–	–	–	343
Tax advisory services	276	–	–	–	276	–
Tax compliance services	78	40	48	13	126	53
Total non-assurance services	**354**	**383**	**48**	**13**	**402**	**396**
Total remuneration	**679**	**721**	**88**	**50**	**767**	**771**

FY2021 audit fees have been adjusted to reflect fees that were billed in FY2022 but relate to work completed for the 2021 audit in the amount of US$0.08 million.

18. Related party transactions

The following table summarises the remuneration paid and included in the Expenses for the year ended 31 December 2022:

Key management personnel:

US$'000	2022	2021
Short-term employee benefits	1,499	1,872
Post-employment benefits	34	20
Share-based payments	1,019	2,503
Others	17	86
Employee benefit expenses	**2,569**	**4,481**

As at 31 December 2022, US$15,000 (31 December 2021: Nil) is recoverable from the CEO in relation to overpayment of emoluments due. The overpayment arose on account of an administrative error in processing payments to the CEO.

Transactions with related entities

A number of Directors of the Group hold or have held positions in other companies (personally related entities) where it is considered they control or significantly influence the financial or operating policies of those entities. There were no reportable transactions with those entities and no amounts were owed by or owed to the Group to/by personally related entities at 31 December 2022 FY2021: Nil). For more information on remuneration and transactions with key management personnel, refer to the remuneration report on page 6 of the Financial Report.

19. Parent entity information

US$'000	2022	2021
Result of the parent entity		
(Loss)/profit for the year	(7,748)	(3,657)
Total comprehensive (loss)/profit for the year	(7,748)	(3,657)
Financial position of the parent entity as at 31 December		
Current assets	**50,773**	**60,597**
Total assets	**178,398**	**184,200**
Current liabilities	**3,395**	**2,246**
Total liabilities	**3,545**	**2,362**
Net assets	**174,853**	**181,839**
Contributed equity	189,626	189,161
Reserves	(3,548)	(3,846)
Accumulated losses	(11,225)	(3,477)
Total equity	**174,853**	**181,839**

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 2022 (31 December 2021: Nil). The Group has no significant commitments as at 31 December 2022 other than those disclosed in note 15.

21. Events occurring after the reporting period

No matters or circumstances have arisen since 31 December 2022, other than those disclosed in relation to the Alludo Scheme and Takeover Offer, 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.

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 39 to 74 and the Remuneration report on pages 6 to 32 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 2022 and of its performance for the financial year ended on that date; and

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

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 2022.

d) The Directors draw attention to note 2(a) to the consolidated financial statements on page 45 which includes a statement of compliance with International Financial Reporting Standards.

On behalf of the Board,

Kurt Johnson
Non-Executive Chairman

28 February 2023

Sam Chandler
Chief Executive Officer

28 February 2023

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 2022 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 2022
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include 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

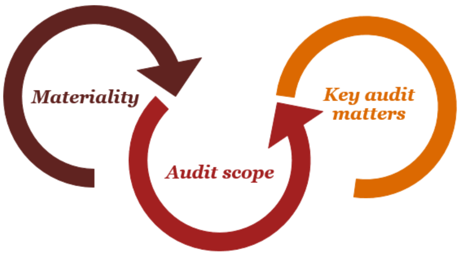
We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the 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

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 $0.7m, which represents approximately 1% of the Group's total revenue. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose Group revenue because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. • We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

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.

Key audit matter	*How our audit addressed the key audit matter*
Carrying value of goodwill *(refer to note 13)* The Group has goodwill of $55.3m as at 31 December 2022.The goodwill is subject to an annual impairment assessment by the Group which did not identify an impairment at 31 December 2022. This was a key audit matter due to the financial significance of the goodwill balance and on the basis that the impairment assessment involves judgemental estimates of future profits and cash flows. As described in note 13, judgements made in determining whether an impairment is required include assumptions about internal and external factors such as industry growth rates and the forecast financial performance of the Group.	In performing our audit work we considered, amongst other things: • whether the Group's identification of CGUs and allocation of goodwill is appropriate • whether the CGUs appropriately included all directly attributable assets and liabilities • the market capitalisation of the Group in comparison to the carrying value of net assets • the appropriateness of adopting a fair value less costs of disposal methodology for estimating the recoverable amount of the goodwill. To evaluate the fair value less costs of disposal discounted cash flow model ("the model") prepared for the impairment assessment, with assistance from PwC valuation experts in aspects of our work, we performed the following procedures, amongst others: • performed mathematical accuracy checks • assessed the appropriateness of the discount rate incorporated in the model in consideration of the forecasted cash flows • assessed the appropriateness of the key assumptions within the model compared to observable market information where available • evaluated the Group's historical ability to forecast future cash flows by comparing budgets with reported actual results for the previous year • evaluated the reasonableness of the forecast cash flows by comparing against historical growth • assessed the sensitivity of key assumptions used in the model, including whether a reasonably possible change, either individually or collectively, would result in the impairment of goodwill.

Key audit matter	*How our audit addressed the key audit matter*
	We evaluated the adequacy of the disclosures in note 13 in light of the requirements of Australian Accounting Standards.
Revenue Recognition *(refer to note 5)* The Group recognised revenue of $66.8m, which is predominantly comprised of the following revenue streams: ● Subscription software services ($50.6m) ● Perpetual licences ($15.0m) ● Maintenance and support ($1.2m) Deferred revenue at 31 December 2022 from subscription contracts was $34.6m. Revenue recognition was 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 licences and subscriptions, including factors influencing whether the revenue is recognised on a principal or agency basis ● tested the operating effectiveness of key controls including the cash allocation process to allocate cash receipts to the appropriate invoice and customer ● performed risk-based targeted procedures over revenue transactions 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 test 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 of the capitalised contract acquisition costs 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.

pwc

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 2022, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the directors' report. We expect the remaining other information to be made available to us after the date of this auditor's report.

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.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

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 6 to 32 of the directors' report for the year ended 31 December 2022.

In our opinion, the remuneration report of Nitro Software Limited for the year ended 31 December 2022 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

Charles Christie
Partner

Melbourne
28 February 2023

APPENDIX 1

SaaS metrics

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

Annual Recurring Revenue ('ARR') is calculated as the total value of subscription revenue contracts, that are in effect at the end of the reporting period, expressed on an annualised basis.

Nitro's typical subscription contract length is three years. Nitro's multi-year subscription-based licencing contracts provide visibility into revenue in future periods due to the recurring nature of those revenue streams.

Gross Retention Rate ('GRR') is calculated as the percentage of the overall ARR from all active subscription customers 12 months ago that was retained as ARR at the end of the current reporting period, including the impact of full or partial cancellations, but excluding ARR from expansion or new subscription customers. The inverse of GRR is commonly referred to as churn rate.

Net Revenue Retention ('NRR') is calculated as the ratio of (a) ending ARR for the current financial reporting period generated from customers who were existing customers at the end of the same financial reporting period of the prior year, net of churn but including expansion; and (b) ending ARR for the financial reporting period 12 months prior. NRR is expressed as a percentage. NRR measures the incremental recurring revenue the Company generates from its existing subscription customers as they expand their usage of the Group's solutions (net of churn), which may be a result of adding additional licences within their organisation, or by expanding usage into new areas of their organization 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.

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, FX gains and losses, one time/non-recurring M&A expenses, interest, taxation, depreciation and amortisation. Nitro uses EBITDA before share-based payments to evaluate the operating performance of the Company without the non-cash impact of depreciation and amortisation, and before share-based compensation, interest and taxation.

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

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

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