NUIX LIMITED AND CONTROLLED ENTITIES

Appendix 4D and Consolidated Interim Financial Report

For the half-year ended 31 December 2023

A.B.N. 80 117 140 235

A.C.N. 117 140 235

ASX Code: NXL

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ASX Appendix 4D

Results for announcement to the market

Statutory results for the period ended 31 December	% change	1H FY2024 $000	1H FY2023 $000
Revenue from ordinary activities	Increased 12.3%	98,441	87,636
Profit / (Loss) from ordinary activities after tax attributable to members	Decreased 486.1%	(4,830)	1,251
Profit / (Loss) for the year attributable to members	Decreased 486.1%	(4,830)	1,251

Underlying results for the period ended 31 December	% change	1H FY2024 $000	1H FY2023 $000
Underlying earnings before interest, tax, depreciation and amortisation	Increased 12.8%	28,366	25,145

During the period ended 31 December 2023, the Group reported a loss after tax of $4,830,000, compared to a profit after tax of $1,251,000 in the prior corresponding period.

Other information

Dividends

It is not proposed that dividends be paid for the half-year ended 31 December 2023 (31 December 2022: nil).

Dividend reinvestment plan

Nuix Limited has not implemented a dividend reinvestment plan.

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

As at 31 December	2023	2022
NTA[1] (thousands of dollars)	15,624	25,566
Number of shares (thousands)	321,565	317,315
NTA per share (cents)	4.9	8.1

Explanation of results

During the period ended 31 December 2023, non-operating legal costs were $11,185,000, up from $2,396,000 in the prior corresponding period. Please refer to the Operating and Financial Review included in the Directors' Report for more information relating to the results. The information should be read in conjunction with the consolidated Annual Financial Report of Nuix Limited for the year ended 30 June 2023. This report should also be read in conjunction with any public announcements made by Nuix in accordance with the continuous disclosure requirements arising under the Corporations Act 2001 and ASX Listing Rules.

Supplementary comments

Additional information may be found in the media release and investor presentation lodged with the ASX on 19 February 2024 and the Operating and Financial Review forming part of the Directors' Report.

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

During the half-year, the Group acquired Rampiva Global, LLC and Rampiva Technology, Inc. (collectively 'Rampiva'). The Group has no interests in associates or joint ventures during either the current or prior corresponding periods.

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

Directors' Report

The Directors of Nuix Limited (**Nuix**) present their report for the consolidated entity comprising Nuix and its controlled entities (collectively referred to as the **Group**) in respect of the half-year ended 31 December 2023.

1. Directors

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

• Robert Mactier	Chair and Non-Executive Director
• Jeffrey Bleich	Deputy Chair and Non-Executive Director
• Jonathan Rubinsztein	CEO and Executive Director
• Sir Iain Lobban	Non-Executive Director
• Jacqueline Korhonen	Non-Executive Director
• Alan Cameron	Non-Executive Director
• Sara Watts	Non-Executive Director
• Susan Thomas	Non-Executive Director (Resigned 18 October 2023)

2. Operating and financial review

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

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

2.1 Principal activities

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

Nuix offers a software platform (Nuix platform) comprising a powerful proprietary data processing engine (Nuix Engine) and several software applications. It has been developed in-house, shaped by feedback from long-standing government and private sector customers over more than two decades, and assists customers in solving complex data challenges. The Nuix platform operates at a forensic level, providing users with a highly detailed, contextualised and legally defensible way of viewing and interacting with data.

With the exception of the acquisition of Rampiva, no significant change in the nature of these activities or the general state of affairs occurred during the period.

2.2 Group performance and financial position

Statutory revenue for the period rose to $98,441,486, up 12.3% on the prior corresponding period. The proportion of statutory revenue derived from multi-year deals was 24.4%, down from 28.7% in the prior corresponding period.

The proportion of statutory revenue from traditional module-style licences rose compared to the prior corresponding period, with the proportion derived from consumption licences lower.

Underlying EBITDA, which excludes non-operational legal costs, rose 12.8% on pcp, to $28,366,000. The rise in Underlying EBITDA occurred despite the measure now including additional Topos operating costs that were previously excluded and was primarily a result of stronger revenue growth paired with general cost containment.

Non-operational legal costs were particularly elevated in the half year, primarily due to the ASIC Federal Court hearing which occurred during the period. For the half year, non-operational legal costs amounted to $11,185,000 compared to $2,396,000 in the prior corresponding period.

The growth in Underlying EBITDA was not reflected in Statutory EBITDA due to the elevated nature of these non-operational legal costs. Statutory EBITDA of $17,181,000 was 17.6% lower than 1H23.

Total research and development spend fell 10% in 1H24 compared to 1H23, as the benefits of efficiency programs were realised. Further progress was made on important projects related to Nuix Neo with Data Privacy and Investigations solutions launched during the half. As a proportion of revenue, research and development spend fell to 27%, compared to 34% in 1H23.

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

	For the half-year ended 31 December	
	2023 $000	**2022 $000**
Profit / (loss) for the year	**(4,830)**	**1,251**
Income tax benefit	(298)	(926)
Depreciation and amortisation	23,271	20,057
Interest expense	613	751
Interest income	(33)	-
Net foreign exchange gains / (losses)	595	(270)
Fair value gain on contingent consideration	(2,137)	-
EBITDA	**17,181**	**20,863**
Non-operational legal costs	11,185	2,396
Topos costs	-	1,886
Underlying EBITDA	**28,366**	**25,145**

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

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

ACV at 31 December 2023 was $199,605,000, up 17.3% compared to 31 December 2022 (up 7.6% compared to 30 June 2023).

Subscription ACV is a component of Total ACV and is an important indicator of the proportion of ACV that is generally recurring in nature. Subscription ACV grew by 17.1% year on year to $185,305,000, comprising 93% of overall ACV.

“Other ACV”, comprising short-term (less than 12 month) and perpetual licences, as well as services ACV, grew to $14,300,000 from $11,937,000 a year earlier. This outcome is due to an increase in perpetual licences and services such as training sold to the customer base.

The proportion of ACV derived from traditional consumption licences increased further to 19.2% of total ACV, underpinned by Discover SaaS and Nuix Neo. SaaS ACV, which is a component of consumption ACV, continued to grow strongly, up 33.3% on pcp.

Customer churn rose to 5.7% from 4.8% in the previous corresponding period.

Net Dollar Retention (NDR), which is an important indicator of the way the spend pattern of the Group's existing customers changes over a 12-month period, and includes the impacts of customer churn, rose to 110.1% on increasing net upsell to the Nuix customer base.

The Group had no debt and had a closing cash balance of $23,959,000 at 31 December 2023, down from $29,588,000 at 30 June 2023. The decrease in cash and cash equivalents is primarily due to non-operational legal costs and payments related to the acquisition of Rampiva. Excluding these items, the Group generated positive cash flow from operations.

	For the half-year ended 31 December	
	2023 $000	**2022 $000**
Operating cash flows	17,624	13,467
Less: Investing cash flows	(20,976)	(20,813)
Free cash flows	**(3,352)**	**(7,346)**
Add: Cash flows associated with M&A activities	3,563	2,136
Add: Cash flows associated with Non-operating legal fees	6,438	4,728
Underlying free cash flows	**6,649**	**(482)**

2.3 Business strategies

Nuix has previously outlined the importance of the development of the Nuix Neo unified platform as a core strategic initiative to drive growth. Nuix Neo resets commercial relationships by accelerating customers' productivity, deployment flexibility and artificial intelligence (AI) innovation in a fully integrated platform. Nuix Neo is accessed through a browser-based, collaborative interface and can be deployed on premise or in a customer cloud. It is a consumption-based subscription model allowing on demand scalability.

During the half, the Nuix Neo platform and associated solutions were launched to a small group of early adopter customers.

Nuix Neo underpins key repeatable product solutions customised for specific use cases. In line with plans previously articulated, early in the half year the first of these use cases, Data Privacy, was launched. The Nuix Neo Data Privacy solution provides customers with forensic depth and defensibility to analyse sensitive data and protect business and customers.

Late in the half year, the second use case, Investigations, was launched. The Nuix Neo Investigations solution allows users to apply an array of collaborative AI techniques to quickly make connections between digital evidence and human behaviour in a single platform.

Development is progressing on the third use case solution planned for FY24, namely Legal Processing, which is expected to be launched in the second half of the fiscal year.

Nuix Neo and associated solutions are a central element of the Company's strategy to drive growth into future periods.

Separate to the development of Nuix Neo, other business initiatives progressed in the previous financial year continued to be refined during the half, driving ACV and revenue growth. Paired with a continuing focus on costs, these initiatives contributed to further growth in Underlying EBITDA.

3. Events since the end of the interim period

Subsequent to 31 December 2023, Nuix Limited has entered into an agreement with a Global Bank to provide a AUD $30,000,000 multicurrency revolving credit facility to the Company. The bank has committed to provide the debt facilities under a new secured facility agreement ("Facility Agreement"), subject to the satisfaction of customary conditions precedent.

Overview of Facility Agreement Terms:

- Facility Amount: AUD $30,000,000 with an AUD $2,000,000 bank guarantee sub-limit.
- Maturity of three years.
- The new facility is to be utilised for general corporate purposes of the Company, other than costs associated with litigation, arbitration or administrative proceedings.
- The Facility Agreement includes customary representations and warranties, undertakings and events of default and review events for a financing of this nature.
- Amounts owing under the Facility Agreement are secured by the assets of the Company and its material subsidiaries.

Financial close under the Facility Agreement is expected to occur prior to the end of March 2024.

Except as disclosed above, no other matters or circumstances have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

4. Rounding of amounts

Nuix is a company of the kind referred to in Australian Securities Investments Commission's ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191. In accordance with that Instrument, all financial information presented has been rounded to the nearest thousand dollars, unless otherwise stated.

5. Auditors' independence declaration

The Directors have received the Lead Auditors Independence Declaration under section 307C of the Corporations Act 2001. The Lead Auditor's Independence Declaration is set out on page 9 and forms part of the Directors' Report for the half-year ended 31 December 2023.

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

SIGNED:

Robert Mactier	**Jonathan Rubinsztein**
Chair	Director
Sydney, Australia	Sydney, Australia
19 February 2024	19 February 2024

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Nuix Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Nuix Limited for the half-year ended 31 December 2023 there have been:

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

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

KPMG

Trent Duvall

Partner

Sydney

19 February 2024

NUIX LIMITED AND CONTROLLED ENTITIES

Consolidated Interim Financial Report

For the half-year ended 31 December 2023

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Consolidated statement of comprehensive income

For the half-year ended 31 December 2023

	Notes		31 Dec 2023 $000		31 Dec 2022 $000
Revenue	5		98,441		87,636
Cost of goods sold			(10,093)		(11,698)
Gross profit			**88,348**		**75,938**
Sales and distribution			(33,839)		(28,377)
Research and development			(29,831)		(26,530)
General and administration					
Non-operational legal fees	4	(11,185)		(2,396)	
Other general and administration		(20,139)		(18,426)	
Total general and administration			(31,324)		(20,822)
Other income	6		556		597
Net realised and unrealised foreign exchange gains			(595)		270
Operating loss			**(6,685)**		**1,076**
Finance costs	4		(613)		(751)
Finance income			33		-
Fair value gain on contingent consideration			2,137		-
(Loss)/Profit before income tax			**(5,128)**		**325**
Income tax benefit	7		298		926
(Loss)/Profit for the period			**(4,830)**		**1,251**
Other comprehensive income/(loss)					
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	9		(3,434)		863
Other comprehensive income, net of tax			**(3,434)**		**863**
Total comprehensive (loss)/income for the year, net of tax			**(8,264)**		**2,114**
Earnings per share					
Basic	10		(0.02)		0.00
Diluted	10		(0.02)		0.00

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

Consolidated statement of financial position

As at 31 December 2023

	Notes	31 Dec 2023 $000	30 Jun 2023 $000
Current assets			
Cash and cash equivalents		23,959	29,588
Trade and other receivables (including contract assets)		72,761	68,534
Other current assets		6,081	7,323
Current tax assets		1,782	1,441
Total current assets		**104,583**	**106,886**
Non-current assets			
Deferred tax asset		3,853	3,958
Intangible assets		252,134	244,567
Property and equipment		2,522	2,944
Right of use assets		8,262	8,647
Non-current receivables (including contract assets)		8,380	12,566
Total non-current assets		**275,151**	**272,682**
Total assets		**379,734**	**379,568**
Current liabilities			
Trade and other payables		26,247	28,655
Deferred revenue		46,466	38,998
Provisions		2,735	3,000
Lease liabilities		3,374	3,028
Other current liabilities	12	5,798	9,839
Total current liabilities		**84,620**	**83,520**
Non-current liabilities			
Deferred revenue		12,500	15,947
Provisions		1,150	1,171
Lease liabilities		7,206	8,088
Deferred tax liabilities		2,904	-
Other non-current liabilities	12	2,647	-
Total non-current liabilities		**26,407**	**25,206**
Total liabilities		**111,027**	**108,726**
Net assets		**268,707**	**270,842**
Equity			
Issued capital	8	373,737	370,696
Reserves	9	(156,521)	(156,175)
Retained earnings		51,491	56,321
Total equity		**268,707**	**270,842**

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the half-year ended 31 December 2023

	Issued capital $000	Share option reserve $000	Foreign currency translation reserve $000	Retained earnings $000	Total equity $000
Balance at 1 July 2022	**370,696**	**(168,731)**	**5,192**	**61,910**	**269,067**
Profit for the half-year	-	-	-	1,251	1,251
Other comprehensive income	-	-	863	-	863
Total comprehensive income/(loss)	-	-	863	1,251	2,114
Transactions with owners					
Share-based payments	370,696	552	-	-	552
Balance at 31 December 2022	**370,696**	**(168,179)**	**6,055**	**63,161**	**271,733**
Balance at 1 July 2023	**370,696**	**(165,441)**	**9,266**	**56,321**	**270,842**
Loss for the half-year	-	-	-	(4,830)	(4,830)
Other comprehensive income	-	-	(3,434)	-	(3,434)
Total comprehensive income/(loss)	-	-	(3,434)	(4,830)	(8,264)
Transactions with owners					
Shares issued in relation to acquisition of Rampiva[1]	3,041	-	-	-	3,041
Share-based payments	-	3,088	-	-	3,088
Balance at 31 December 2023	**373,737**	**(162,353)**	**5,832**	**51,491**	**268,707**

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

[1] The Group acquired Rampiva Technology, Inc and Rampiva Global, LLC (collectively ‘Rampiva’) on 1 July 2023 (Refer Note 11).

Consolidated statement of cash flows

For the half-year ended 31 December 2023

	Notes	31 Dec 2023 $000	31 Dec 2022 $000
Cash flows from operating activities			
Receipts from customers		102,810	80,654
Payments to employees and suppliers		(84,941)	(66,968)
Interest received		33	9
Income tax paid		(278)	(228)
Net cash provided from operating activities		**17,624**	**13,467**
Cash flows from investing activities			
Purchase of property and equipment		(230)	(629)
Payments for software development costs[1]		(17,183)	(20,184)
Acquisition of Rampiva, net of cash acquired		(3,563)	-
Net cash used in investing activities		**(20,976)**	**(20,813)**
Cash flows from financing activities			
Payments of principal on lease liabilities		(1,712)	(1,717)
Interest paid		(613)	(751)
Net cash used in financing activities		**(2,325)**	**(2,468)**
Net change in cash and cash equivalents		(5,677)	(9,814)
Cash and cash equivalents at beginning of financial period		**29,588**	**46,846**
Exchange differences on cash and cash equivalents		48	66
Cash and cash equivalents at end of period		**23,959**	**37,098**

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

[1] Prior comparative period amount has been adjusted by removing non-cash additions (share-based payments and depreciation expenses capitalised) to intangible assets of $863,000.

Notes to the consolidated financial statements

1. Basis of preparation

1.1 Reporting entity

Nuix Limited (the 'Company') is a company that is incorporated and domiciled in Australia. This consolidated interim financial report ('interim financial report') as at and for the six months ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as 'the Group').

The interim financial report was authorised for issue by the Board of Directors on 19 February 2024.

1.2 Basis of accounting

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

The interim financial report does not include all the information required for an annual financial report and should be read in accordance with the consolidated annual financial report of the Group for the year ended 30 June 2023. This report should also be read in conjunction with any public announcements made by the Group in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001* and ASX Listing Rules. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim period and the adoption of new and amended standards below.

The interim financial report is presented in Australian dollars, which is the functional currency of the Group, and has been prepared on the basis of historical cost except in accordance with relevant accounting policies where assets and liabilities are stated at their fair values.

Nuix is a company of the kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191. In accordance with that instrument all financial information presented has been rounded to the nearest thousand dollars, unless otherwise stated.

1.3 New standards, interpretations and amendments adopted by the Group

A number of new or amended standards and interpretations became applicable for the current reporting period effective from 1 July 2023. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards, as they did not have a significant impact on the Group's consolidated financial statements.

1.4 Impact of standards issued but not yet applied by the Group

A number of new or amended standards and interpretations have been published that are not mandatory for 31 December 2023 half-year reporting and have not been early adopted by the Group. When they are required to be adopted, they are not expected to have a significant impact on the Group's consolidated financial statements.

1.5 Going concern

At 31 December 2023, the Group is in a net current asset position of $19,963,000. At 31 December 2023, the Group had $23,959,000 available cash and cash equivalents. The financial statements have been prepared on a going concern basis.

In preparing these financial statements, the Group has prepared, and the Directors have considered cash flow forecasts, taking into account information currently available regarding current conditions and those, at least but not limited to, twelve months from the end of the reporting period. Important to these cash flows are the assumptions used regarding seeking to return to operating net cash inflows in FY24, the potential outcomes and timings of the regulatory and litigation matters as discussed in Note 14, and the access to other funding sources should they be required to achieve the Group's strategy. The unknown outcomes of the current litigation matters together with the potential business impacts of the ongoing litigation matters and their attendant reputational and financial impacts, gave rise to the Group concluding that while there are uncertainties related to events or conditions that may, depending on the circumstances, cast doubt on the entity's ability to realise its assets and discharge its liabilities in the normal course of business, it remains appropriate that the financial statements be prepared on a going concern basis.

In forming this conclusion, the Directors have considered a cash flow forecast which considers the following assumptions, associated risks and mitigating factors:

- cash flow forecasts include new pricing plans, growth in revenue supported by the investment in sales capability and continued product development along with significant unusual matters such as the settlement of contingent consideration for the Topos Labs acquisition and ongoing legal fees.
- the Group outperformed its target in the half-year of being underlying cash flow neutral, excluding the impact of non-operational legal fees, and is seeking a return to underlying net cash inflows in FY24. There are risks to achieving this given forecast economic headwinds, foreign currency impact and broader business impacts of the litigation matters;
- recent results of operating activities undertaken aligned with the new Nuix strategy including price rises and an improving NDR% have been taken into account when setting revenue forecasts used to derive forecast cash receipts;
- the potential timing and quantum of any adverse outcomes from the current litigation action by the regulator and class action as detailed in Note 14. In applying the assumptions and judgements, we have had regard to the penalty regime, views of our advisors and potential likely outcomes with the exception of legal fees, the forecasts do not include cash outflows related to any claims; and
- the Company has entered into a debt financing facility post balance date (refer Note 16).

The outcomes of these indicate sufficient cash balances throughout the next 12 months.

Additional mitigants available include:

- the ability to reduce forecast operating expenditure to retain cash, aligning timing of reductions and preservation of cash to expected legal milestones. Potential reductions are through ceasing recruitment of new staff, managing consulting spend, delaying the development of new products, and/or other cost reduction measures. While the Directors have determined these can be implemented as required to scale back cash outflows, they may impact the ability of the Group to achieve its strategy;
- potential other sources of recovery of funds associated with litigation; and
- in the event that it is required, the ability to raise equity from existing and or new shareholders based on known levels of interest and support.

The Directors additionally have processes to monitor actual results closely such that mitigating actions can be taken at pace, in the amounts which may be required should they be required in the relevant timeframes.

Based on the above, the Directors are satisfied that the Group will be able to continue to operate and have the ability to discharge its liabilities in the normal course of business for a minimum of the next twelve months.

1.6 Use of judgements and estimates

In preparing this interim financial report, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

1.6.1 Accounting for business combinations

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

Determining whether arrangements are part of the business combination

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

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

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

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

Measurement of fair values at acquisition date

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

Contingent consideration:

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

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

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

Acquired intangible assets:

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

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

1.6.2 Revenue recognition

Determination of contract term

For licences to use our software, determining the non-cancellable term of a contract with a customer can require significant judgement. Given a substantial portion of our contracting is with governmental agencies, and the varied nature of our contracting with customers, interpretation of termination clauses at the inception of the contract requires judgement. If a contract term is determined to be non-cancellable for a longer period, a higher amount of revenue is likely to be recognised upfront; whereas a contract term that is determined to be non-cancellable for a shorter period, a lower amount of revenue is likely to be recognised upfront.

Contracts with multiple performance obligations

The Group enters into contracts with its customers that can include promises to transfer multiple performance obligations. A promised good or service must be distinct to be accounted for as a separate performance obligation. For software license contracts, there is a combination of goods and services that include software licensing, software maintenance and support services which are generally treated as separate performance obligations on the basis that the customers can benefit from them separately (or with other rights that they have), and they are separately identifiable in the contract.

Judgement has been exercised in estimating the standalone selling price for software licences with bundled support and maintenance. To estimate the standalone selling prices for the software licenses and bundled support and maintenance, Nuix considers available observable inputs, such as the support and maintenance charges where there is no bundling, including adjustments to these observable inputs to reflect differences in the licensing arrangements and pricing practices.

Recognition of revenue on sales made through partners

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

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

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

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

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

1.6.3 Share-based payment expense

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

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

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

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

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

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

1.6.4 Capitalisation and useful life of intangible assets

Management has made judgements in respect of intangible assets when assessing whether an internal project in the development phase meets the criteria to be capitalised, and on measuring the costs and economic life attributed to such projects. On acquisition, specific intangible assets are identified and amortised over their estimated useful lives. The capitalisation of these assets and the related charges are based on judgements about their value and economic life.

Management has also made judgements and assumptions when assessing the economic life of intangible assets and the pattern of consumption of the economic benefits embodied in these assets. The economic lives for intangible assets are estimated at between three and ten years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

1.6.5 Impairment testing of goodwill

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

As of 30 June 2023, management concluded that the Group comprised of one CGU, the Nuix platform CGU. As the majority of customers of Rampiva align to existing Nuix customers, the acquisition of Rampiva on 1 July 2023 has not resulted in the identification of an additional CGU and there have been no changes as of 31 December 2023 to the conclusion that only one CGU for the Group has been identified.

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

Management have assessed that any indicators of impairment that continue to persist during the half-year are pre-existing from the time of the impairment test carried out at 30 June 2023 (e.g., recent financial performance, market capitalisation, higher interest rate environment, costs of defending litigation and claims bearing on operating cash flows) when it was determined that the headroom for the Nuix platform CGU was in excess of $100 million. There has been no deterioration in any of these factors since 30 June 2023, rather performance during the half year indicates that these factors have abated. Accordingly, there are no indicators that a significant impairment has arisen since 30 June 2023 which would necessitate a full test.

1.6.6 Accounting for tax assets and uncertain tax position

Recoverability of tax assets

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

Management have assessed all evidence available including historical utilisation patterns, anticipated timing of the reversal of deductible and taxable temporary differences and forecast future assessable income, and concluded that it is not sufficiently probable that the uncovered deferred tax assets held by Nuix Limited will be utilised, and accordingly it has not been brought to account ($2,466,000, 30 June 2023: $2,610,000).

Uncertain tax position

The application of the tax law to a particular transaction or circumstances may be unclear and the acceptance of the treatment may not be known until the relevant taxation authority undertakes an examination of the tax treatment adopted or, in the event of a dispute, when a court makes a decision at a future time.

Where there is uncertainty over income tax treatments the recognition and measurement of current or deferred tax assets or liabilities is determined by applying Interpretation 23 – Uncertainty Over Income Tax Treatments.

Each uncertain tax treatment is considered separately unless consideration together with one or more other uncertain tax treatments gives rise to a better prediction of the resolution of the uncertain treatments on examination by the relevant taxation authority.

Where it is considered probable (more likely than not) that the relevant taxation authority will accept the tax treatment used or planned to be used in its income tax filings the tax treatment adopted is consistent with that used or planned treatment in the income tax filings.

In assessing such probability in the recognition and measurement of uncertain tax treatments it is assumed that the relevant taxation authority will examine amounts it has the right to examine and have full knowledge of all related information when making those examinations and determining whether or not to accept the tax treatment in the relevant income tax filings.

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

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

In the current and prior periods as disclosed in the Prospectus and previous annual financial reports, the Group has exercised judgement in recognising and measuring the tax benefit of Research and Development (‘R&D’) tax offsets available under Australian tax legislation relating to eligible R&D expenditure incurred on eligible overseas development activities in excess of expenditure incurred on related eligible core Australian activities. In respect of the Group’s Endpoint Cyber Security Project (“Endpoint Project”), the relevant overseas and Australian activities were the subject of the Advance Overseas Finding for the years ended 30 June 2016 (FY16) to 30 June 2018 (FY18).

The Group has exercised judgement in prior years in assessing that it is probable that the relevant taxation authority, will accept the tax treatment for the Endpoint Project for the years FY16 to FY18. The judgement that it is probable that the tax treatment for the Endpoint Project for the years FY16 to FY18 would be accepted by the relevant taxation authority has remained consistent in the preparation of both the current and prior year financial statements.

In August 2022, the Group concluded an early engagement process with the ATO to obtain certainty in relation to the eligibility of the overseas development expenditures on the Endpoint Project for FY16 to FY18. At the conclusion of the early engagement process, having considered the observations and recommendations provided by the ATO as part of the early engagement, management concluded that it is likely that the tax authority would accept the filed positions for FY16 to FY18. This judgement was disclosed in the FY22 financial statements.

Despite the acceptance by the ATO in the early engagement, in 1HFY24, the ATO commenced a Review covering FY16 to FY18. In the process of preparing responses and compiling information relevant to requests as part of the review, management have not currently identified additional facts that had not been identified previously. Management are monitoring the matter and will continue to cooperate fully with the ATO during the review.

The Group in preparing this interim financial report determined based on the preliminary estimates that the potential implication if the filed positions for FY16 to FY18 are not accepted, the treatment applied would be that a deferred tax asset of $3,737,000 and the liability for a deferred government grant revenue balance of $1,145,000 related to the R&D tax credits would be derecognised. Simultaneously, a deferred tax asset of approximately $2,610,000 relating to carried forward tax losses would be recognised, resulting in a net nil impact on balance sheet.

1.6.7 Contingent liabilities

Assessing whether past events give rise to present obligations

In determining the accounting for matters where there is a potential outflow of benefits, the key judgements and assumptions required to be made relate to whether an obligation has arisen.

Where on balance it has not been determined that it is more likely than not that a present obligation for an outflow of benefits exists at reporting date, such a liability is a contingent liability.

As contingent liabilities are generally not recognised in the statement of financial position (except for those assumed in a business combination), concluding that it is not more likely than not that a present obligation does exist, has the result that no accounting entries are booked and there is no impact reported in profit or loss.

2. Fair value measurements

A number of the Group's accounting policies require the measurement of fair values, for both financial and non-financial assets and liabilities. The carrying amounts of cash and cash equivalents, trade and other receivables, and trade and other payables are assumed to approximate their fair values due to their short-term nature.

When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs to the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on market observable data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The Group does not have any debt securities or derivative financial instruments which require measurement at fair value. As the inputs to the valuation of contingent consideration are not based on observable market data, this is deemed a Level 3 measurement of fair value. Refer to Note 12 for fair value disclosures related to contingent consideration.

3. Segment information

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

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

Segment performance

	For the half-year ended 31 December	
	2023 $000	2022 $000
Software	94,651	85,085
Services	3,761	2,546
Revenue from events (sponsorship and ticket sales)	29	-
Hardware	-	5
Total revenue	**98,441**	**87,636**

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

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

	For the half-year ended 31 December	
	2023 $000	2022 $000
EBITDA	17,181	20,863
Interest expense	(613)	(751)
Interest income	33	-
Fair value gain on contingent consideration	2,137	-
Depreciation and amortisation	(23,271)	(20,057)
Net foreign exchange gains / (losses)	(595)	270
(Loss)/Profit before income tax	**(5,128)**	**325**
Income tax benefit	298	926
Net (loss)/profit after tax	**(4,830)**	**1,251**

Geographic information

Revenue generated by location of customer[1]	For the half-year ended 31 December 2023 $000	2022 $000
Asia Pacific	13,653	14,449
Americas	50,340	46,000
Europe, Middle East and Africa (EMEA)	34,448	27,187
	98,441	**87,636**

Non-current assets by geographic location:

	31 Dec 2023 $000	30 Jun 2023 $000
Asia Pacific	153,525	143,400
Americas	120,782	128,137
Europe, Middle East and Africa (EMEA)	844	1,145
	275,151	**272,682**

4. Profit / (Loss) for the period

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

	For the half-year ended 31 December 2023 $000	2022 $000
Expenses (included in general and administration)		
Legal fees – operational	1,412	907
Legal fees – non-operational[2]	11,185	2,396
Employee benefit expenses (inclusive of share-based payment expenses)		
Sales and distribution	29,304	27,144
Research and development	10,850	7,937
General and administration	9,167	8,263
Finance costs		
Interest expense	613	751
Depreciation and amortisation		
Sales and distribution	466	965
Research and development	21,257	18,073
General and administration	1,398	869
Cost of goods sold	150	150

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

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

5. Revenue

Disaggregation of revenue

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

Revenue by type

	For the half-year ended 31 December	
Revenue	**2023 $000**	**2022 $000**
Subscription licences	64,094	52,395
Perpetual licences	15,102	15,358
Consumption licences	15,455	17,332
Total licence revenues (including related support and maintenance)	**94,651**	**85,085**
Professional services	3,761	2,546
Revenue from events (sponsorship and ticket sales)	29	-
Hardware	-	5
Total other revenues	3,790	2,551
Total revenues	**98,441**	**87,636**

Timing of revenue recognition

	For the half-year ended 31 December	
Timing of revenue recognition	**2023 $000**	**2022 $000**
Point in time	66,722	55,913
Over time	31,719	31,723
	98,441	**87,636**

6. Other income

	For the half-year ended 31 December	
	2023 $000	**2022 $000**
Government grant income	556	557
Other income	-	40
	556	**597**

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

7. Income tax expense

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

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

8. Issued capital

	For the half-year ended 31 December			
Movements in ordinary shares	**2023 Shares**	**2022 Shares**	**2023 $000**	**2022 $000**
Opening balance	317,499,158	317,314,794	370,696	370,696
Shares issued for acquisition of Rampiva	3,578,179	-	3,041	-
Shares issued – employee performance rights	488,053	-	-	-
Closing balance	321,565,390	317,314,794	373,737	370,696

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

9. Reserves

Foreign currency translation reserve

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

Share-based payment reserve

The share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

	For the half-year ended 31 December	
Movements in reserves	**2023 $000**	**2022 $000**
Share-based payment reserve		
As at 1 July	(165,441)	(168,731)
Share-based payment arrangements	3,088	552
As at 31 December	(162,353)	(168,179)
Foreign currency translation reserve		
As at 1 July	9,266	5,192
Foreign currency translation reserve	(3,434)	863
As at 31 December	5,832	6,055
Total reserves	**(156,521)**	**(162,124)**

10. Earnings per share

	For the half-year ended 31 December	
	2023 $000	**2022 $000**
Basic earnings per share		
(Loss) / Profit for the period	(4,830)	1,251
Weighted average number of ordinary shares (basic)	321,565,390	317,314,794
Basic earnings per share (in dollars)	**(0.02)**	**0.00**
Diluted earnings per share		
(Loss) / Profit for the period	(4,830)	1,251
Weighted average number of ordinary shares (basic)	321,565,390	317,314,794
Effect of share options and performance rights on issue	Antidilutive[1]	4,545,865[2]
Diluted weighted average number of ordinary shares	**Antidilutive**	**0.00**
Diluted earnings per share	**(0.02)**	**0.00**

11. Acquisition of Rampiva

The Group acquired all of the shares of Rampiva Global, LLC and Rampiva Technology, Inc. (collectively Rampiva) on 1 July 2023 a workflow automation and job scheduling software provider. Rampiva is a long-term Nuix technology partner founded in 2016 to meet greater productivity demands for Nuix customers by automating their data processing tasks. Rampiva is used by customers where the cost, ease and administration of hyper-scale data processing is no longer sustainable manually.

In the period since acquisition to 31 December 2023, Rampiva recorded a profit of AUD $3,149,000, inclusive of expenses related amortisation acquired intangibles and related deferred tax expense impacts of AUD$1,382,000. Included in this profit / loss since acquisition, are post-acquisition revenues of AUD $4,531,000.

The Group incurred acquisition-related costs of AUD $547,472 relating to external legal fees and legal due diligence costs. These costs have been included in ‘general and administrative expenses’.

A. Consideration

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

	Notes	$000
Cash		4,135
Shares		3,041
Contingent consideration	12	3,974
Total consideration		**11,150**

[1] In the current period, the conversion of the options and performance rights on issue would reduce the loss per share. Potential ordinary shares are antidilutive when their conversion would reduce loss per share. The calculation of diluted earnings per share does not assume conversion, exercise or other issue of potential ordinary shares that would have an antidilutive effect on earnings per share. As a result, the effect of share options and performance rights on diluted earnings per share were considered to be antidilutive in the current period.

[2] Comprises potential ordinary shares issuable in relation to performance rights. Options are only considered in the calculation of diluted earnings per share when the current share price exceeds the option exercise price (in the money options). Share options that remain on-foot and are fully vested have exercise prices higher than the current share price, and therefore do not give rise to potential ordinary shares that are used in the calculation of diluted earnings per share.

The initial cost of the acquisition includes US$ 2 million in cash (subject to working capital adjustments on financial close), and US$ 2 million in Nuix newly issued shares payable on financial close. Up to a further US $3 million in Nuix shares will be issued if Rampiva achieves specific ACV growth and cost management target milestones in the three years post-acquisition.

Contingent consideration that is part of the arrangement to acquire Rampiva, as its purpose is to verify or establish the fair value of the acquired business and its payment is not contingent on continued employment or service provision is measured at fair value as described in Note 12.

The acquisition date fair value of the contingent consideration assessed to be part of the arrangement to acquire Rampiva, was determined to be AUD $3,974,000.

B. Identifiable assets acquired and liabilities assumed

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

	$000
Cash and cash equivalents	572
Trade receivables	885
Trade and other payables	(561)
Brand	112
Customer relationships	140
Intellectual property	8,227
Deferred tax liabilities	(3,294)
Total identifiable net assets acquired	**6,081**

Fair values measured on a provisional basis

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

C. Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	Notes	$000
Fair value of consideration	A	11,150
Fair value of net identifiable net assets	B	6,081
Goodwill		**5,069**

The goodwill is primarily related to growth expectations, expected future profitability, the skills and technical talent of Rampiva's workforce, and expected synergies to be achieved from integrating the Rampiva software into the Group's existing products. As the customer base of Rampiva is substantially integrated with that of the Nuix, goodwill recognised on acquisition has been allocated in full to the Nuix platform CGU.

To the extent goodwill arises from the acquisition of Rampiva Global, LLC being $945,000, it is considered to be deductible for tax purposes in the United States.

12. Other liabilities

	31 Dec 2023 $000	30 Jun 2023 $000
Current		
Contingent consideration	5,498	6,188
Other payables	300	3,651
Other current liabilities	**5,798**	**9,839**
Non-current		
Contingent consideration	2,647	-
Other non-current liabilities	**2,647**	**-**

Contingent consideration payable

The Group continues to recognise a liability measured at fair value as of 31 December 2023 in relation to contingent consideration arising out of the acquisitions of Rampiva and Topos Labs, LLC. The contingent consideration arising is deemed to be a Level 3 measurement of fair value, which will be paid over various periods from the acquisition dates. It has been discounted accordingly based on estimated time to complete the milestones including the successful achievement of ACV growth, cost containment, revenue, staff retention and product development milestones.

As part of the assessment at the reporting date, the Group has determined the fair value of contingent consideration considering a range of reasonably possible changes regarding expected future performance and outcomes from activities being undertaken to progress the objectives of the milestones. Changes in the fair value of contingent consideration after acquisition date are recognised in profit or loss.

A reconciliation of the movements in fair value measurements of contingent consideration is provided below.

Contingent consideration	31 Dec 2023 $000	30 Jun 2023 $000
Opening balance	6,188	13,856
Additions	3,974	-
Foreign exchange difference	(145)	165
Changes in fair value estimate	(2,137)	(1,011)
Unwinding of interest	265	68
Cash payments	-	(6,890)
Closing balance	**8,145**	**6,188**

The effect on profit and loss for the half-year is due to unwinding of interest on the contingent consideration, and change in fair value estimates due to reassessments of achievability of earnout milestones post-acquisition as indicated in the above reconciliation.

As part of the assessment at each reporting date, the Group has considered a range of possible changes for key assumptions, and has not identified instances that could cause the fair value of contingent consideration to change significantly.

Delays in or non-achievement of remaining milestones may result in a decrease in the measurement of the contingent consideration, and conversely early achievement of certain milestones may bear on future reassessments of the achievability of other milestones which could increase the measurement of the contingent consideration. Changes in fair value of contingent consideration after the acquisition date are recognised in profit or loss, unless the changes are measurement period adjustments.

13. Dividends

During the half-year, the Directors did not declare an interim dividend (2023: Nil) and have not subsequent to balance date recommended a dividend to be paid (2023: Nil).

14. Contingent liabilities

On the basis that Group has determined the below matters to be contingent liabilities, no liabilities have been recognised in the financial statements in relation to these matters.

ASIC proceedings

As advised to the market on 29 September 2022, ASIC commenced civil proceedings in the Federal Court against the Company (and its directors during the period 18 January 2021 to 21 April 2021) in which ASIC alleged that aspects of the Company's market disclosure in that period contravened provisions of the Corporations Act and ASIC Act. ASIC seeks declarations in respect of the alleged contraventions, pecuniary penalties against Nuix and pecuniary penalties and disqualification orders against the relevant directors.

Nuix has fully cooperated with ASIC during the course of its investigation into these matters. Nuix denies the allegations made by ASIC and filed its defence to the claim on 23 December 2022. The ASIC claim was heard in November and December 2023 and the Court has reserved its judgment.

ASIC Investigation

As previously disclosed to the market, ASIC is conducting an investigation into the acquisition of Nuix shares by its CEO in early September 2022 and Nuix's response to an ASX enquiry, relating to those circumstances released on 14 September 2022.

The CEO's acquisition of Nuix shares took place with prior approval and during an approved trading window. Nuix has fully cooperated with ASIC during the course of its investigation.

Class Action

Nuix is the subject of a consolidated class action in the Supreme Court of Victoria which is commenced on behalf of persons who acquired interests in Nuix shares in the period between 18 November 2020 and 29 June 2021. The proceeding also names Macquarie Capital and a former Macquarie Capital nominated director of Nuix.

In essence, the claim alleges that that Nuix's disclosure contained in its Prospectus dated 18 November 2020 and its market disclosure in the period following the Company's IPO in December 2023 were misleading and contravened provisions of the *Corporations Act 2001* (Cth), the *ASIC Act 2001* (Cth) and the Australian Consumer Law in connection with its disclosures concerning its forecast FY21 revenue and performance. The claim seeks damages on behalf of Group Members, but no amount of damages has yet been identified.

Nuix denies the allegations contained in the consolidated claim and filed its defence on 4 November 2022. The Second and Third Defendants (Macquarie Capital (Australia) Limited and Mr Daniel Phillips) have also filed defences denying the allegations contained in the consolidated claim. The matter has not yet been set down for a hearing.

Bank guarantee

The Company had obtained a bank guarantee in the amount of $746,460 to secure certain obligations of the Company that arise under a commercial property lease. This obligation is cash backed by the Group.

15. Related party disclosures

A. Key Management Personnel ('KMP') compensation

	For the half-year ended 31 December 2023 $	2022 $
Short-term employee benefits	2,377,264	2,317,425
Post-employment benefits	91,610	61,253
Long-term benefits	16,083	12,417
Share-based payment expense	1,359,111	433,802
Termination benefits	-	422,523
Total	**3,844,068**	**3,247,420**

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

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

B. Transactions with other related parties

Macquarie Corporate Holdings

Macquarie Corporate Holdings has an interest of 30% in Nuix (2022: 30%), which allows it to exercise significant influence over the Group. As a result, Macquarie Corporate Holdings and by extension all related entities of Macquarie Group Limited, are related parties to Nuix.

Alliance agreement license

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

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

During the half-year ended 31 December 2023, $119,896 was recognised as revenue from the provision of support and maintenance in relation to the license for the alliance agreement.

As of 31 December 2023, $219,809 remains as deferred revenue in relation to the ongoing support and maintenance which will be recognised on a rateable basis until 5 December 2024.

Legal fees claimed under indemnity

Macquarie Capital Australia Limited has claimed $1,791,910 in relation to legal fees under the indemnity provided by Nuix Limited to them under the terms of the Underwriting Agreement. This amount has not been paid.

	For the half-year ended 31 December			
	2023 $		2022 $	
	Transaction	Outstanding balance	Transaction	Outstanding balance
Sales and purchases of goods and services				
Sale of licence to related parties	179,023	-	50,311	1,803,183
Rendering of professional service	-	-	4,852	-
Support and maintenance	119,896	-	119,896	-
Other arrangements				
Legal fees claimed under indemnity	-	1,791,910	-	-

16. Events after the reporting date

Subsequent to 31 December 2023, Nuix Limited has entered into an agreement with a Global Bank to provide a AUD $30,000,000 multicurrency revolving credit facility to the Company. The bank has committed to provide the debt facilities under a new secured facility agreement (“Facility Agreement”), subject to the satisfaction of customary conditions precedent.

Overview of Facility Agreement Terms:

- Facility Amount: AUD $30,000,000 with an AUD $2,000,000 bank guarantee sub-limit.
- Maturity of three years.
- The new facility is to be utilised for general corporate purposes of the Company, other than costs associated with litigation, arbitration or administrative proceedings.
- The Facility Agreement includes customary representations and warranties, undertakings and events of default and review events for a financing of this nature.
- Amounts owing under the Facility Agreement are secured by the assets of the Company and its material subsidiaries.

Financial close under the Facility Agreement is expected to occur prior to the end of March 2024.

Except as disclosed above, no other matters or circumstances have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Directors' Declaration

In the Directors' opinion:

a. The financial statements and notes as set out on pages 11 to 32 are in accordance with the Corporations Act, including:

   (i) giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the six month period ended on that date, and

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

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

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

SIGNED:

Robert Mactier
Chair
Sydney, Australia
19 February 2024

Jonathan Rubinsztein
Director
Sydney, Australia
19 February 2024

Independent Auditor's Review Report

To the shareholders of Nuix Limited

Conclusion

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

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

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2023 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

- Consolidated statement of financial position as at 31 December 2023
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 16 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

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

Basis for Conclusion

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

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

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

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

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

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the Half-Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG

Trent Duvall

Partner

Sydney

19 February 2024

TAKE OWNERSHIP_ AND FOLLOW UP

RESILIENT_ WE LEARN FROM THE PAST AND ARE OPTIMISTIC ABOUT TOMORROW

UNAFRAID_ TO DO THE RIGHT THING, QUICKLY

TEAM NUIX_ FIRST AND FOREMOST

HERO OUR CUSTOMERS_ AND INNOVATE FOR THEM

nuix

Nuix (www.nuix.com, ASX:NXL) is a leading provider of investigative analytics and intelligence software, that empowers customers to be a force for good by finding truth in the digital world. We help customers collect, process and review massive amounts of structured and unstructured data, making it searchable and actionable at scale and speed with forensic accuracy.

APAC
Australia: +61 2 8320 9444

EMEA
UK: +44 203 934 1600

NORTH AMERICA
USA: +1 877 470 6849