

ANNUAL REPORT 2018

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STRAKER TRANSLATIONS LIMITED **AND GROUP**
CHIEF EXECUTIVE OFFICER'S REPORT
FOR THE YEAR ENDED 31 MARCH 2018



Dear Shareholder,

FY18 was another great year with revenue growth (around 44%), and more importantly a year where we have achieved a number of important milestones to ensure we are ready to IPO and create an increase in both shareholder value and liquidity.

Growth through our acquisition strategy combined with organic growth has set a platform for us to take a great story to market and to raise new capital to continue our success. We raised \$7.7 million of pre-IPO capital late in 2017 and this is now deployed in FY19 on two new acquisitions in Europe, setting up a strong growth story for FY19 before adding in organic growth and the potential use of proceeds from the planned IPO.

Our R&D teams have been continuing the innovation into our core platform and driving our competitive advantage in the industry where we believe we have a significant advantage with our A.I. and human crowdsourced translation platform.

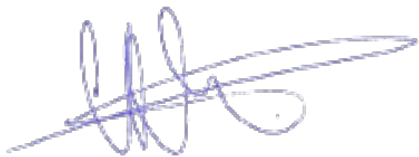
I have the team focused on acquisitions being a core part of our growth strategy for the next few years. We have established that we can make successful acquisitions, and one of the great success stories for us at the moment is how we have been able to significantly increase revenues out of Eurotext (Irish translation company we acquired in 2016) off the back of a major contract won because of our technology platform.

With the right capital framework and integration processes in place, we believe our technology platform can assist acquired companies to deliver enhanced earnings. In conjunction with steady organic growth from the existing Straker business, the acquisitions will be a key strategy in delivering increased shareholder value in the future.

Growing at the rate we are, and across so many regions always has challenges and the executive has done an excellent job of ensuring we have all the building blocks in place, and that we have a culture of change which is normal, exciting and healthy within the organisation.

We remain committed to listing on the ASX in FY19 and have appointed advisors to assist us with this process. Our hope is to be listed on the ASX before the end of the 2018.

Thanks for your continued support and I look forward to executing our IPO and delivering strong rewards for all shareholders going forward.



Grant Straker

Chief Executive Officer



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Year in **Review**

TOTAL REVENUE*

\$17.03m

YoY GROWTH

44%

EBITDA

(\$1.43m)

-8% Adjusted EBITDA Margin v
-15% on FY17

Cash in bank**

\$7.8m

*Gross revenue

**as at 31 March 2018




Acquisitions: Successfully negotiated 2 new acquisitions both of which closed in early FY19.

Built a range of technology to make future acquisitions considerably easier to integrate.

Management: Successfully built up a strong management tier below the executive across finance, production, sales and technology.

Capital: Successfully raised \$7.7m to fund growth and brought some major Australian institutional investors onto the share register.

What we Do

A woman with long brown hair and black-rimmed glasses is smiling and looking towards a man. She is holding a white tablet with both hands. The man, seen from the back, has short dark hair and is wearing a white shirt. They are in a bright, modern office setting with green chairs and large windows in the background.

We enable the translation of documents, websites, technical manuals and ecommerce platforms. We work with businesses both large and small and across a range of industries.

Our platform enables the translation of more than 100 language pairs and use our platform to simplify and automate the translation process.

We use our crowdsourcing to access more than 10,000 freelance translators and speed them up using machine learning.

Our **Mission** and **Values**

We have a goal to be the world's leading A.I and people driven communications company

To achieve our goal we have five company values which form the backbone of everything we do, and ensure everyone in the organisation is aligned on how we will achieve success.

These values are especially important to obtain alignment with the management and staff of acquired companies.



We embrace change to continually evolve

This is key to ensure we have the right attitude and alignment with team members, especially new staff from the acquired companies. If people don't like change then they are on the wrong bus.



We use one centralised platform

Our operating leverage is gained through using one centralised platform. It is a core focus to continue to encapsulate competitive advantage through our technology platform and IP.



We empower our teams

With a dispersed and global workforce we need to empower our teams to work independently, with all the tools they need to succeed.



We all pitch in and celebrate success as one team

Success is a team effort from the person who first answers the phone to the enterprise sales person who closes the deal. This is why we have deep ESOP and bonus structures.



We solve hard problems that others can't

We have been successful as we have taken on the hardest of challenges - e.g building a per hour translation model when others found it too hard. We will continue to have this mindset at the core of our thinking.

Multiple Growth Drivers



Winning new enterprise customers

- Secure large volume enterprise customers
- Lack of a global enterprise sales team was identified as inhibiting organic growth so Straker invested in this capability over the last 2 years
- 16 new salespeople across 9 countries



Increase penetration with existing customers

- Detailed account management structures established
- Ensure strong sales relationships are maintained
- Expand existing accounts



Integration in eCommerce and content platforms

- Directly market to platforms' broad client bases
- Continue to invest in new integrations / refining the integrations
- Medium term revenue targets



Transactional revenue

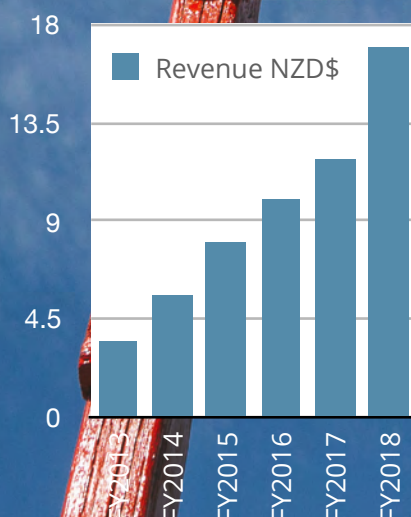
- Providing cash flow benefits
- Drives smaller jobs that provide a range of ancillary benefits
- Driven by online advertising and content marketing



Acquisitions

- Highly fragmented industry
- Strong pipeline of opportunities
- Cost effective means of customer and revenue acquisition
- Leverage Straker's competitive advantage in its technology platform and business model

**30%
CAGR**
2013-18



High Margin Business

We use our RAY technology platform as a competitive advantage to run a high margin business.

45%

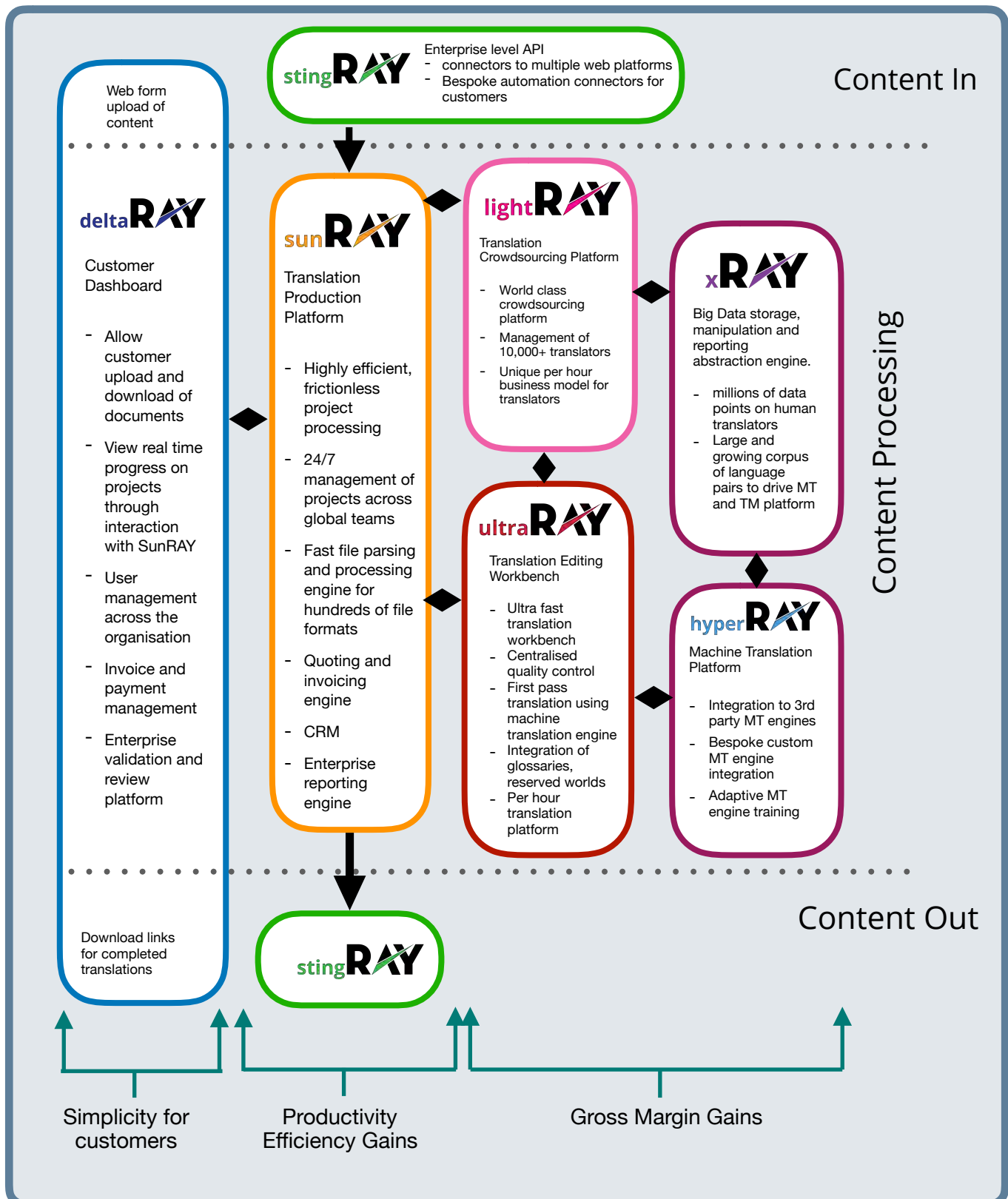
Industry
standard gross
margins*

60%

Straker RAY Platform
gross margins**

*ALC, 2017 Industry Survey and Nimdzi
100 Report, 2018; company websites
and annual reports; press information.

** Only jobs processed through RAY



Acquisitions

Straker has a clear acquisition strategy which serves as an efficient form of customer acquisition. With four acquisitions under our belt (including two that closed post 31 March 2018), we continue to refine our processes to deliver easier integration of future. We have dedicated negotiation and integration teams responsible for securing acquisitions and then transitioning them into the Straker business.



Improve the target's gross margins

Increase the earnings margins achieved by acquired companies through migrating their clients to Straker's higher margin platform and business model



Cost synergies

Consolidate operating costs through utilising Straker's centralised global technology, corporate infrastructure and existing personnel



Geographical footprint

Gain a geographical footprint in key markets serving many customers who still require local presence



Economies of scale

Gain economies of scale in areas of importance such as data assets across language pairs, translator resources for domain subjects, key sales people and processes and global production capacity. Potential for the acquired company to bid for RFPs given increased scale of the group.



Grow target's customer base

Grow acquired customer bases through offering Straker's technology solutions

New Acquisitions

FY19

We have recently acquired Spanish Language Service Provider(LSP) MSS and German LSP Eule. Both of these acquisitions will fall into FY19 but are worth a mention as we look forward. Combined, these companies will deliver new revenue streams mainly from repeat enterprise customers.



Acquisition Case Study **Eurotext**

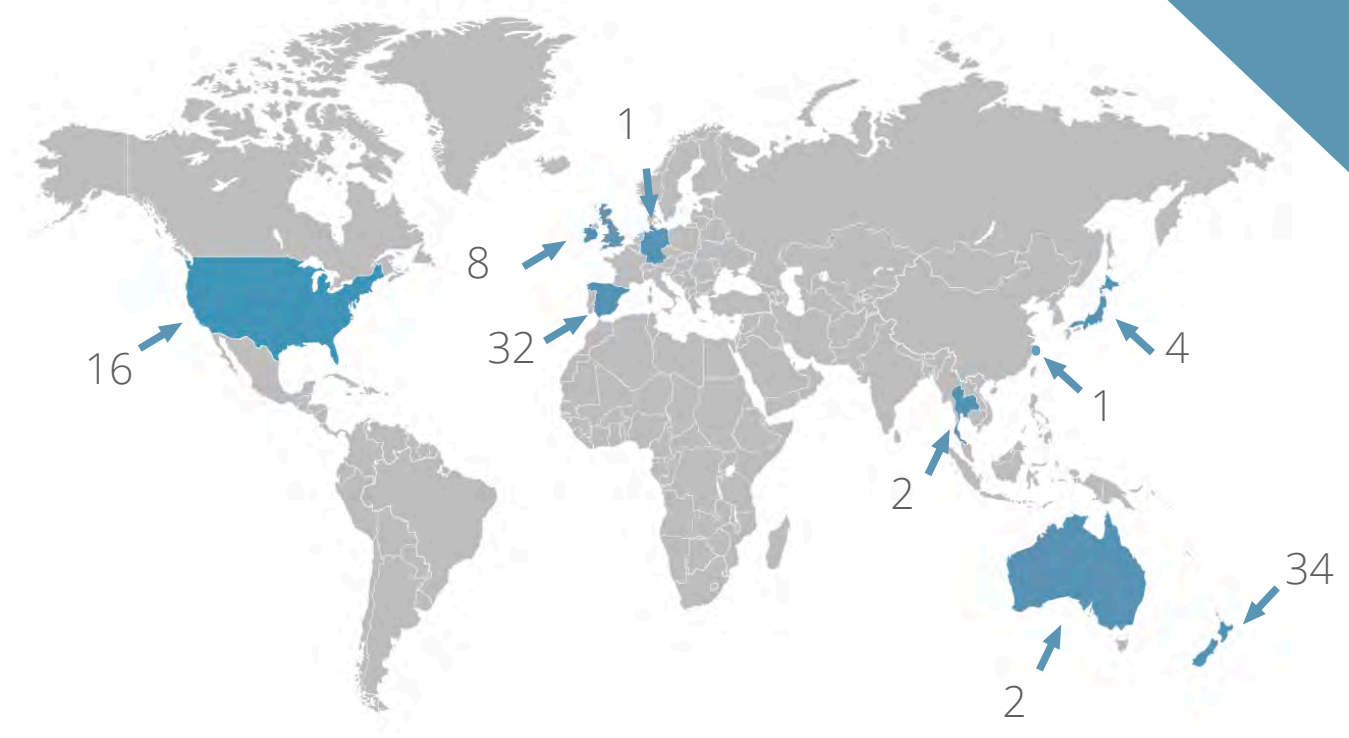
We acquired Eurotext in November 2016. We have taken our time to integrate the company completely over to the RAY platform as the company has been growing and we were able to negotiate a new 5 year contract with a major customer. The full migration to RAY is still in progress and is expected to be completed by the end of 2018 when the full integration benefits should be realised.

- Eurotext has been part of the Group for 1.5 years
- Revenue has increased on the back of renegotiating a major customer agreement that has moved from dual vendor to sole vendor scenario on back of Ray Technology Translation Platform
- Additional regions and departments are now ordering, in self service fashion, through the Ray Platform
- Further gross margin gains are expected to be realised as more is ordered via Ray and legacy translation software is switched off

		FY2017	FY2018	<i>growth</i>
Revenue	NZ\$m	2.1	2.5	19%
Gross margin	NZ\$m	0.9	1.2	33%
Gross margin %	%	41%	46%	5ppts
Adjusted EBITDA	\$m	(0.1)	0.3	0.4 (absolute)
Adjusted EBITDA margin	%	-6%	13%	19ppts

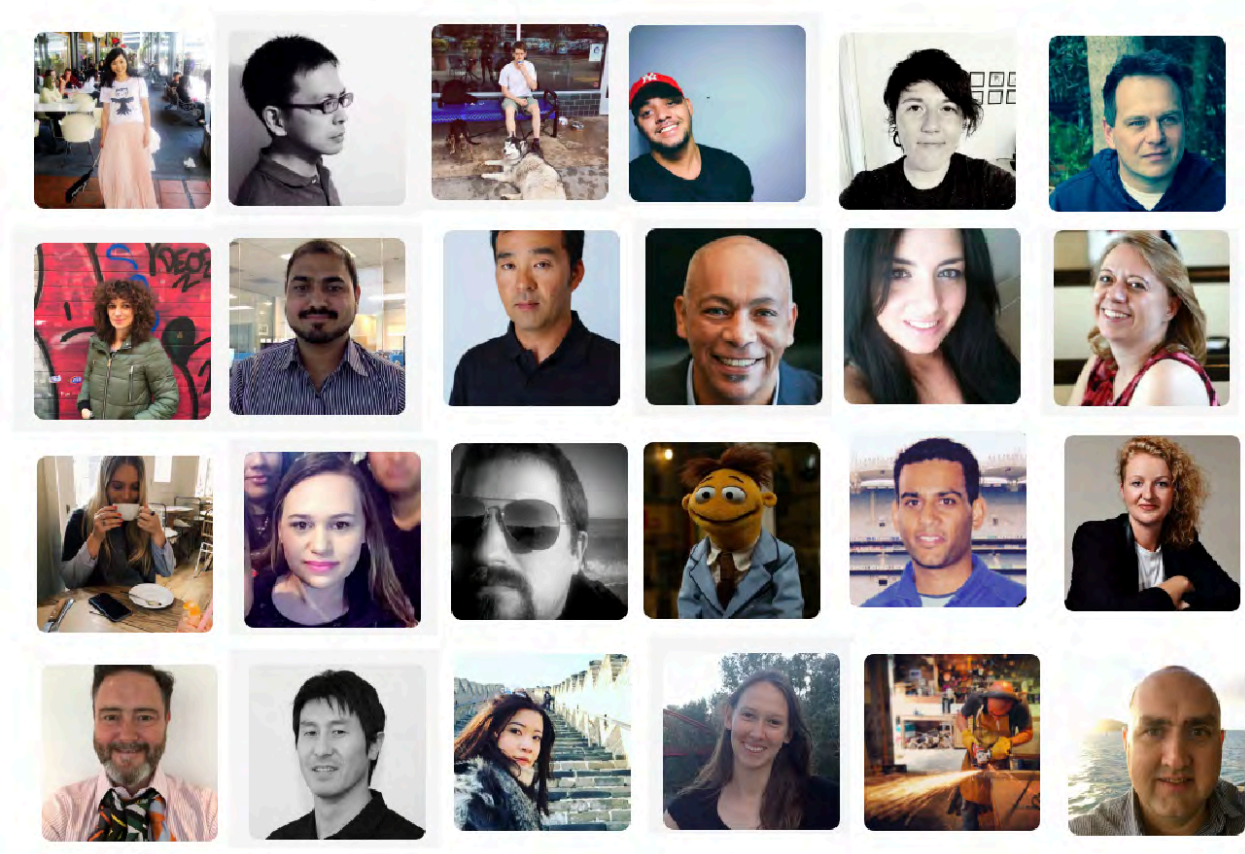
Eurotext

Global **Company**



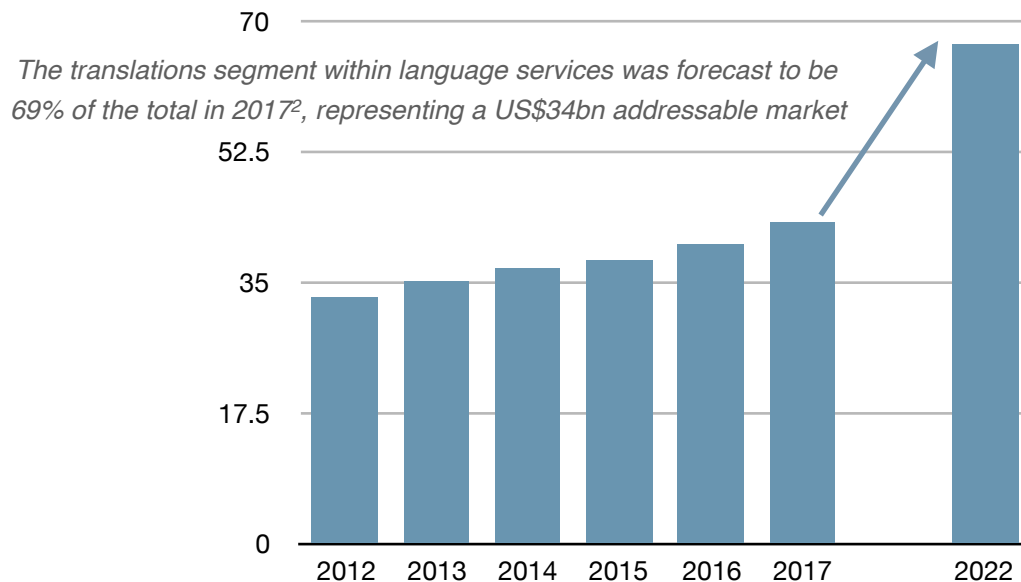
We have 100* employees in 10 countries - NZ, Australia, Hong Kong, Thailand, Japan, Spain, Germany, USA, Ireland and the UK

*iwith the closing of the Eule deal in FY19 now 120



Industry continues to **grow**

Language services is a US\$43bn industry that is expected to grow at 9.0% p.a. from CY2017 to CY2022¹



Source: 1. Common Sense Advisory, the Language Services Market, 2017; Nimdzi 100 Report, 2018. 2. Common Sense Advisory, the Language Services Market, 2017

Industry consolidation

The translation industry continues to go through a consolidation phase. This sits in line with our strategy and there were some major acquisitions last year including RWS's acquisition of Moravia and Keyword Studios acquisition of VMC. To succeed with an acquisition strategy in this industry we believe you need the four pillars of a business model which we have:

1. A platform to give operating leverage so that costs do not scale with revenue
2. A proven template and team for making acquisitions of the right size and type
3. A streamlined integration process that enables fast and effective integration of customers and team members
4. A large pipeline of potential acquisitions in the demographic and geographies to bring maximum value

Point three has been the one where we had dedicated a large amount of development resources to build tools and systems to streamline integration. The learnings and development we have made over the past 18 months should help deliver us enhanced returns on our acquired companies.

Advances in Machine Learning benefit our business model

- The core philosophy of our business model and platform is that advances in Machine Learning will speed up human translators.
- To do this we cracked the hard problem of getting translators to provide services by the hour rather than by the word.
- As machine learning advances then we gain as the translators go faster but we still pay them the same hourly rate.

It's not rocket science but it has taken us seven years and thousands of iterations to build our platform and business model around this concept, it has not been easy.

As it advances we have the technology platform to leverage it for profit more effectively than other translation companies. As existing agencies come under margin pressure then this will play out for our acquisition strategy to cost effectively acquire revenue.

The Board

The company is pleased to announce the appointment of Katrina Johnson to the Straker Board of Directors. Katrina joined the Board on 3rd July 2018 and is the senior legal counsel for Uber Asia Pacific and also serves on the board of Trade Me. She will bring a wealth of experience and expertise in high growth tech companies and global legal knowledge. James Johnstone intends to step down from the Board later in FY19 and we would like to thank him for his excellent contribution to the company's growth over the past year. The Board has a very positive outlook for the new financial year.



Grant Straker
Founder CEO

As Co-Founder of Straker, Grant has extensive experience in the language translation market.

Grant's wide ranging technical, sales and business skills, combined with his strong entrepreneurial drive, have placed him in an ideal position to help accelerate the growth of Straker.



Phil Norman
Chairman

Phil was the founding Chairman of Xero Limited, one of New Zealand's most successful listed technology companies, and retired from the Board in July 2012 after five years' service.

Phil is the Chairman of NZX listed Plexure Group, Loyalty New Zealand Limited and AUT Ventures Limited.



Paul Wilson
Director

Paul is Co-Founder of ASX listed Bailador Technology Investments. He has had extensive private equity investment experience as a Director of CHAMP Private Equity in Sydney and New York, with MetLife in London, and as Executive Director at media focused investment group, Illyria.

Paul is Chairman of SiteMinder and a Director of Stackla, Viocorp International, Yellow Pages (NZ), the Rajasthan Royals IPL cricket franchise, and ASX listed Vita Group Limited.



Tim Williams
Director

Tim founded ValueCommerce Co. Ltd. (Formerly Trans Pacific Inc.) in 1996.

Tim is one of the original pioneers in the Japanese internet and advertising industry. His vision and record of achievement are demonstrated by the success and growth of ValueCommerce.



Katrina Johnson
Director

Katrina is an independent director of Trade Me Group Limited, and a member of its Audit and Risk Management Committee. Trade Me operates New Zealand's largest online marketplace, and is a dual ASX and NZX listed business with a market cap of approximately NZ\$2 billion.

Katrina was named "General Counsel of the Year" at the 2017 Australian Law Awards and "General Counsel of the Year" at the 2017 Women in Law Awards.



Steve Donovan
Director

Steve is a former partner of Ernst & Young. He qualified as a Chartered Accountant in the U.K. and has operated within the IT and finance industry in New Zealand for a number of years.

Steve is Straker's former CFO and has been working with technology companies across a range of industries.

WORLD CLASS EXECUTIVE TEAM



DAVID SOWERBY

Chief Revenue Officer

David continues to drive our global revenue and sales teams. He runs our 15 strong global sales team across 4 continents.



KIM ANDREWS

Chief People Officer

A role that has become critical as we have grown and acquired companies. Kim has done an outstanding job of maintaining a positive global culture and also with the hard job of cost consolidation with acquired company staff.



INDY NAGPAL

Chief Technical Officer

Indy has continued to drive our technology innovation and technology team. We have an experienced, skilled and incredibly stable team of developers.



HAYDN MARKS

Chief Financial Officer

Haydn has grown the finance team and is ensuring we are well presented and accurate going into an IPO.



MERRYN STRAKER

Chief Operating Officer

Meryn continues to oversee our global production and operations team. She is also our Chief Integration Officer and is overseeing the integration of MSS and EULE.

Financial Review

The Straker Translations Group (Straker) had a strong performance in 2018, with revenue growth of 44%. This has been achieved on the back of, both organic growth and significant growth from the two acquisitions we executed in the last half of the 2017 financial year.

We saw strong sales momentum across APAC, Europe and North America and have a steady base of enterprise level repeat revenue. UK proved difficult, in part, due to low business confidence post Brexit.

Our blended gross margin remains strong at 55% and well above the industry norms. We expect further margin gains as we process further jobs through the Ray platform.

Full year operating costs, on a Non IFRS basis, were up 27%, which were largely attributable to the full year effect of costs from the two acquisitions executed in 2017, as well as investing in Sales and the next tier level of management to ready the company for further growth ahead. After the cost of restructuring and non-recurring costs are included, the Group's operating cost on an IFRS basis were up 31%.

On an IFRS basis, Straker finished with an EBITDA loss of (\$1.9m) and an EBIT Loss of (\$2.5m). On a Non-IFRS basis the EBITDA loss was (\$1.43m), a margin of (-8%), representing an improvement of 22% on 2017.

NZD \$	Non-IFRS			IFRS		
	2018	2017	Change	2018	2017	Change
Revenues	17.0	11.8	5.2	17.0	11.8	5.2
Gross Margin	9.3	6.6	7.8	9.3	6.6	7.8
Gross Margin %	55%	56%	(2%)	55%	56%	(2%)
EBITDA	(1.4)	(1.8)	0.4	(1.9)	(2.1)	0.3
EBITDA Margin %	(8%)	(15%)	8%	(11%)	(18%)	5%
EBIT	(1.7)	(2.0)	0.3	(2.5)	(2.4)	(0.1)
EBIT Margin %	(10%)	(17%)	5%	(15%)	(20%)	(3%)

IFRS vs non-IFRS. To ensure that the presentation of results reflects the underlying performance of the business, Straker Translations Group publishes its key metrics on a non-IFRS basis as well as on an IFRS basis. For transparency purposes, Straker also publishes full reconciliations between IFRS and non-IFRS measures. IFRS refers to NZ IFRS. Full definitions of non-IFRS adjustments can be found on page 20.

Financial Position

Straker's DSOs (Debtor Days Outstanding) remain strong at 55 days, demonstrating strong revenue to cash conversion.

After executing a successful net pre-IPO capital raise of \$7.7m Straker is well positioned to execute its acquisition strategy on our path to our Initial Public Offering.

I join Grant and the rest of the executive team, in looking forward to the exciting year ahead.

Haydn Marks



Chief Financial Officer

Reconciliation from IFRS to Non IFRS

	2018	2017
IFRS EBITDA	(1.9)	(2.1)
Acquisition Costs	0.2	0.3
Restructuring Costs	0.1	-
Other Non Recurring Costs	0.1	-
Non-IFRS EBITDA	(1.4)	(1.8)
IFRS EBIT	(2.5)	(2.4)
Acquisition Costs	0.2	0.3
Restructuring Costs	0.1	-
Other Non Recurring Costs	0.1	-
Amortisation on Acquired Intangibles	0.4	0.1
Non IFRS EBIT	(1.7)	(2.0)

STRAKER TRANSLATIONS LIMITED AND GROUP
COMPANY DIRECTORY
FOR THE YEAR ENDED 31 MARCH 2018

Company Number	:	1008867
Registered office	:	C/- BDO Auckland Level 4, 4 Graham Street Auckland
Principal place of business	:	Auckland, New Zealand
Independent Auditor	:	BDO Auckland Auckland
Solicitor	:	Bell Gully Auckland
Banker	:	ANZ Bank BNZ Bank NAB Bank
Directors	:	Grant Straker Stephen Donovan James Johnstone Philip Norman Tim Williams Paul Wilson

STRAKER TRANSLATIONS LIMITED AND GROUP
DIRECTORS' RESPONSIBILITY STATEMENT
FOR THE YEAR ENDED 31 MARCH 2018

The Directors are pleased to present the consolidated financial statements of Straker Translations Limited for the year ended 31 March 2018.

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of the Straker Translations Limited Group as at 31 March 2018 and the results of their operations and cash flows for the year ended 31 March 2018.

The Directors consider that the consolidated financial statements of the Group have been prepared using accounting policies appropriate to the Group's circumstances, consistently applied and supported by reasonable and prudent judgements and estimates and that all applicable New Zealand equivalents to International Financial Reporting Standards have been followed.

The Directors have responsibility for ensuring that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and enables them to ensure that the financial statements comply with the Financial Reporting Act 2013.

The Directors have responsibility for the maintenance of a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Directors consider that adequate steps have been taken to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Approved for and on behalf of the Board of Directors on 29 June 2018.



Director



Director

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF STRAKER TRANSLATIONS LIMITED AND GROUP**

Opinion

We have audited the consolidated financial statements of Straker Translations Limited ("the Company") and its subsidiaries (together, "the Group"), which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our firm carries out other assignments for the Group in the areas of taxation advice and IFRS accounting assistance and provides professional services in relation to the Group's planned listing on the ASX. The firm has no other relationship with, or interests in, the Company or any of its subsidiaries.

Other Information

The directors are responsible for the other information. The other information comprises the Chief Executive Officer's Report, but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors.

Directors' Responsibilities for the Consolidated Financial Statements

The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the Group's ability 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are 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 ISAs (NZ) 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 decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Who we Report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Chris Neves.



BDO Auckland
Auckland
New Zealand
29 June 2018

STRAKER TRANSLATIONS LIMITED AND GROUP
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 \$	As restated Note 23 2017 \$
Revenue	3	17,026,858	11,802,384
Cost of sales (translator contractor costs)		(7,736,041)	(5,176,115)
Gross margin		9,290,817	6,626,269
Other income		4,938	-
		9,295,755	6,626,269
Selling and distribution expenses		(6,922,965)	(5,356,096)
Administration expenses		(4,340,969)	(3,272,075)
Loss from trading operations before amortisation of acquired intangibles and acquisition of subsidiaries costs		(1,968,179)	(2,001,902)
Amortisation of Acquired Intangibles	9	(375,552)	(91,671)
Acquisition of subsidiaries costs	23	(195,157)	(314,383)
Operating loss before net finance income	4	(2,538,888)	(2,407,956)
Finance income		1,133,283	30,863
Finance expense		(218,538)	(285,418)
Net finance income/(expense)	5	914,745	(254,555)
Loss before income tax		(1,624,143)	(2,662,511)
Income tax credit/(expense)	6	99,852	(17,800)
Loss for the year after tax		(1,524,291)	(2,680,311)
Other Comprehensive Income			
Items that may be reclassified to profit or loss, net of tax			
Foreign currency translation differences		(71,020)	103,437
Total Comprehensive Income for the year		(1,595,311)	(2,576,874)

The above statement should be read in conjunction with the notes to and forming part of the financial statements.

STRAKER TRANSLATIONS LIMITED AND GROUP CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR
ENDED 31 MARCH 2018

	Notes	Share Capital	Accumulated Losses	Share Option Reserve	Foreign Currency Translation Reserve	Total Equity
		\$	\$	\$	\$	\$
Group – 31 March 2018						
Balance 1 April 2017		13,705,013	(7,913,886)	60,277	41,502	5,892,906
Loss for the year		-	(1,524,291)	-	-	(1,524,291)
Currency translation differences		-	-	-	(71,020)	(71,020)
Total comprehensive income for the year		-	(1,524,291)	-	(71,020)	(1,595,311)
Transactions with owners in their capacity as owners						
Issue of share capital	15	10,779,442	-	-	-	10,779,442
Redemption of share capital	15	(3,082,294)	-	-	-	(3,082,294)
Share option cost expensed		-	-	60,523	-	60,523
Balance 31 March 2018		21,402,161	(9,438,177)	120,800	(29,518)	12,055,266
Group – 31 March 2017						
Balance 1 April 2016		9,707,166	(5,233,575)	24,090	(61,935)	4,435,746
Loss for the year (as restated, Note 23)		-	(2,680,311)	-	-	(2,680,311)
Currency translation differences		-	-	-	103,437	103,437
Total comprehensive income for the year		-	(2,680,311)	-	103,437	(2,576,874)
Transactions with owners in their capacity as owners						
Issue of share capital	15	4,997,847	-	-	-	4,997,847
Redemption of share capital	15	(1,000,000)	-	-	-	(1,000,000)
Share option cost expensed		-	-	36,187	-	36,187
Balance 31 March 2017 (as restated, Note 23)		13,705,013	(7,913,886)	60,277	41,502	5,892,906

The above statement should be read in conjunction with the notes to and forming part of the financial statements

STRAKER TRANSLATIONS LIMITED AND GROUP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Notes	2018 \$	As restated Note 23 2017 \$
Current Assets			
Cash and cash equivalents		7,823,853	3,475,178
Trade receivables	7	1,994,678	2,382,496
Other assets and prepayments	8	1,215,891	459,625
Total Current Assets		11,034,422	6,317,299
Non-current Assets			
Intangible assets	9	5,119,601	5,103,727
Plant and equipment	10	110,175	128,161
Total Non-current Assets		5,229,776	5,231,888
Total Assets		16,264,198	11,549,187
Current Liabilities			
Trade payables	11	510,429	354,293
Sundry creditors and accruals	12	1,800,901	1,316,247
Employee provisions	13	223,252	195,263
Deferred consideration	14	768,236	1,320,473
Total Current Liabilities		3,302,818	3,186,276
Non-current Liabilities			
Deferred tax liability	6	443,803	574,626
Deferred consideration	14	462,311	1,895,379
Total Non-current Liabilities		906,114	2,470,005
Total Liabilities		4,208,932	5,656,281
NET ASSETS		12,055,266	5,892,906
Equity			
Share capital	15	21,402,161	13,705,013
Foreign currency translation reserve		(29,518)	41,502
Share option reserve	21	120,800	60,277
Accumulated losses		(9,438,177)	(7,913,886)
TOTAL EQUITY		12,055,266	5,892,906

Approved for and on behalf of the Board of Directors on 29 June 2018



Director



Director

STRAKER TRANSLATIONS LIMITED AND GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers		17,068,582	12,551,656
Interest received		30,857	30,863
Payments to suppliers and employees		(18,337,139)	(14,505,997)
Interest paid		-	(2,522)
Net cash used in operating activities	24	(1,237,700)	(1,926,000)
Cash flows from investing activities			
Payments for capitalised software development		(626,420)	(548,444)
Payments for plant & equipment		(52,224)	(86,045)
Payments for acquisition of subsidiaries		(195,157)	(1,421,291)
IPO Costs		(44,112)	-
Net cash used in investing activities		(917,913)	(2,055,780)
Cash flows from financing activities			
Proceeds from issue of shares		11,271,886	5,000,000
Ordinary shares redeemed		(3,082,294)	(1,000,000)
Cost of share issue		(492,444)	(2,153)
Repayment of deferred consideration	14	(1,001,030)	-
Net cash from financing activities		6,696,118	3,997,847
Net increase in cash and cash equivalents		4,540,505	16,067
Effect of exchange rate on foreign currency balances		191,830	45,267
Cash and cash equivalents at beginning of the year		3,475,178	3,413,844
Cash and cash equivalents at end of the year		7,823,853	3,475,178

The above statement should be read in conjunction with the notes to and forming part of the financial statements.

1. GENERAL INFORMATION AND REPORTING ENTITY

Straker Translations Limited ("Company" or "parent") is a company domiciled and incorporated in New Zealand and registered under the Companies Act 1993. The Company and its subsidiaries (hereafter, "the Group") consolidated financial statements (hereafter "the financial statements") have been prepared in accordance with the requirements of the Companies Act 1993.

For the purposes of complying with generally accepted accounting practice in New Zealand ("NZ GAAP"), the Group is a for-profit entity.

The principal activity of the Group is the provision of translation services.

2. BASIS OF PREPARATION

The financial statements comply with NZ GAAP, New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and International Financial Reporting Standards.

The financial statements are presented in New Zealand dollars (NZD), which is also the functional currency of the parent company. Amounts are rounded to the nearest dollar in the financial statements.

The preparation of financial statements in compliance with NZ IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies.

The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 2(c).

a) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except as noted in the accounting policies.

b) Change of accounting policies

New standards, interpretations and amendments effective from 1 April 2017

There were no new standards or interpretations effective for the first time for years beginning on or after 1 April 2017 that had a significant effect on the Group's financial statement.

New standards, interpretations and amendments not yet effective

The following new standards, interpretations and amendments, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the Group's future financial statements:

- NZ IFRS 15 Revenues from Contracts with Customers is the new standard for the recognition of revenue effective for the Group from 1 April 2018.

NZ IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a promised good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations.

The Group is working through a representative sample of its translation service contracts in conjunction with a report commissioned from an external advisor with reference to this new standard. The impact of the new standard on the Group's contracts is understood.

2. BASIS OF PREPARATION (CONTINUED)

The steps considered in the analysis of the impact of IFRS 15 on contract revenue recognition were:

- i) Identifying the contract;
- ii) Identifying separate performance obligations;
- iii) Determining the transaction price;
- iv) Allocating the transaction price to performance obligations;
- v) Recognising revenue as or when each performance obligation is satisfied.

A key area emanating from this analysis has been identified as the ability of the Group to continue recognising revenue on an over time basis based on the new criteria imposed by NZ IFRS 15, requiring the Group to:

- i) ensure that contract termination clauses are reviewed and amended, as may be required, to ensure that the Group has an enforceable right to either demand revenue for the work completed to date at any point, or to finish the contracted work and charge the customer for the full contractual amount; and
- ii) ensure that the rule of law in specific jurisdictions permits, or does not negate, the contractual termination clause.

Management is of the opinion that the recognition of revenue on an over time basis would remain the most useful information to users and has in any event commenced a revision of its General and specific MSA terms and conditions to ensure that this remains the case with the application of NZRS 15.

Provided that this is subsequently confirmed by management, NZ IFRS 15 is not expected to cause a significant adjustment to the profile of revenue recognition by the Group.

The standard permits either a full retrospective or a modified retrospective approach for adoption. It is likely that the Group will adopt the standard using the modified retrospective approach, which means that the cumulative impact (if any) of the adoption will be recognised in retained earnings and that comparatives will not be restated.

- NZ IFRS 16 Leases – the new standard will result in almost all leases being recognised on the balance sheet. Under the new standard, an asset (the right to use the lease item) and a financial liability to pay rentals are recognised. The only exemptions are short-term and low-value leases. The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has operating lease commitments of \$345,780 (note 22). Management is yet to determine the full impact of the standard on the recognition of an asset and a liability for future payments.
- NZ IFRS 9 Financial Instruments - Management have conducted a review of the potential impact of future changes under the new financial instrument standard. It was determined that there will be no material changes to the way that the Group recognises and measure its financial instruments.

c. Use of estimates and judgements

The preparation of the financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

2. BASIS OF PREPARATION (CONTINUED)

c. Use of estimates and judgements (continued)

Management has identified the following critical balances and transactions for which significant judgements, estimates and assumptions are made:

i) Business combinations completed in the prior period (note 23) and deferred consideration liabilities (note 14)

The Directors have made significant judgements in respect of the accounting of business combinations by considering the fair value of the assets and liabilities acquired and considering the likelihood of the subsidiaries achieving their earn out targets in determining the deferred consideration liabilities.

ii) Goodwill (note 9)

The Directors have used judgement in determining there is no impairment associated with goodwill by using a value-in-use calculation.

iii) Capitalised software development (note 9)

The Group has considered costs associated with software development and capitalised those that meet the criteria of their accounting policy. Judgement is required particularly in respect of meeting those criteria.

iv) Revenue/Work in Progress ("WIP")/deferred revenue recognition (notes 8 and 12)

Translation income invoices for services not yet performed are deferred as deferred revenue liability on the Statement of Financial Position until the stage of completion of services is sufficient to ensure it is probable that economic benefits will flow to the Group.

Translation income determined to be earned but not yet invoiced is accrued as Work in Progress and recorded under current assets on the Statement of Financial Position when it is probable that economic benefits will flow to the Group.

Translator costs related to each project are accrued as a current liability.

	Notes	2018	As restated Note 23 2017
		\$	\$
3. REVENUE			
Translation revenue		17,026,858	11,802,384

Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and is recorded net of sales taxes, value added taxes, discounts and after eliminating sales within the Group.

Translation services: Translation contracts are typically designed around milestone achievement. Normally invoicing is aligned to these milestones. Revenue recognition, however, is aligned to the percentage of work completed based on the total amount of contractual work.

STRAKER TRANSLATIONS LIMITED AND GROUP NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 MARCH 2018

	Notes	2018 \$	As restated Note 23 2017 \$
4. OPERATING LOSS BEFORE NET FINANCE INCOME/(EXPENSE)			
The following items of expenditure are included in operating loss before net finance income/(expense):			
Selling and Distribution expenses			
Advertising and marketing		6,922,965	5,356,096
Administrative expenses			
Remuneration to parent auditor:			
- fee relating to audit of the financial statements		32,100	30,000
- taxation services – compliance		14,315	8,000
Other non-Group auditor's remuneration for audit of subsidiary entity		10,880	11,628
Amortisation of capitalised software development	9	208,393	81,629
Amortisation of computer software	9	26,601	14,565
Depreciation	10	70,210	71,480
Bad debts written off		12,002	23,688
Impairment loss recognised on loans and receivables (Trade receivables)	7	23,086	7,516
Rent		335,209	272,215
Salaries and wages		1,352,465	1,192,101
Kiwisaver contributions		73,853	69,886
5. NET FINANCE INCOME AND EXPENSE			
Finance income			
Interest received on loans and receivables		30,857	30,863
Foreign exchange gain on loans and receivables		23,648	-
Gain on fair value adjustment to deferred consideration liability	14	1,078,778	-
Total finance income		<u>1,133,283</u>	<u>30,863</u>
Finance expense			
Interest expense on liabilities stated at amortised cost		(3,224)	(2,522)
Foreign exchange loss on loans and receivables		(120,810)	(195,065)
Imputed interest on deferred consideration liability	14	(94,504)	(87,831)
		<u>(218,538)</u>	<u>(285,418)</u>
Net finance income/(expense)		<u>914,745</u>	<u>(254,555)</u>

Interest income and expense

Finance income includes interest income on loans and receivables, which is recognised as it accrues in profit or loss, using the effective interest method, and fair value gain on adjustment to earnout liability, which is measured at fair value through profit or loss.

Finance expense includes interest expense on liabilities, and imputed interest on earnout liability.

		As restated Note 23 2017
Notes	2018	2017
	\$	\$

5. NET FINANCE INCOME AND EXPENSE (CONTINUED)

Foreign currency translation gains and losses

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date, with any gain or loss being recognised in the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

6. INCOME TAX EXPENSE

a) Income tax recognised in profit or loss

Current tax expense	(30,970)	(17,800)
Deferred tax credit	130,822	-
Total tax credit/(expense)	<u>99,852</u>	<u>(17,800)</u>

The income tax expense comprises current and deferred tax. The income tax expense is recognised in profit and loss, except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts for taxation purposes.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination that affects neither accounting nor taxable profit or loss.

STRAKER TRANSLATIONS LIMITED AND GROUP NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 MARCH 2018

	Notes	2018 \$	As restated Note 23 2017 \$
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6. INCOME TAX EXPENSE (CONTINUED)

The total charge for the period can be reconciled to the accounting profit as follows:

Loss before tax	(1,624,144)	(2,662,511)
Income tax expense calculated at 28% (2017: 28%)	(454,760)	(745,503)
Different tax rates applied in overseas jurisdictions	116,080	-
Tax losses not recognised	438,532	745,503
Foreign income tax	-	(17,800)
Income tax credit/(expense) recognised in profit or loss	99,852	(17,800)

b) Imputation credit account balances

Balance at beginning of the year	22,116	10,452
Loss of Imputation credits due to share change	-	-
Imputation credits received	(5,651)	11,664
Balance at end of the year	16,465	22,116

c) Deferred tax liability

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (2018: 28%).

Deferred tax		
Deferred tax liabilities arising on business combinations	574,626	574,626
Release to profit or loss	(130,822)	-
At 31 March	443,804	574,626
Recognised deferred tax liabilities		
Intangible assets – arising on business combinations	(443,804)	(574,626)
At 31 March	(443,804)	(574,626)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different entities, but they intend to settle current tax assets and liabilities on a net basis.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

A deferred tax asset in respect of timing differences and taxation losses has not been recognised by the Group or Company as the Directors consider the recognition requirements of NZ IAS 12 are not met due to a history of recent losses.

The value of deferred tax asset not recognised as at 31 March 2018 was \$940,074 (2017: \$918,059). The deferred tax asset not recognised is comprised of the effect of the tax benefit of operating losses.

	Notes	2018 \$	As restated Note 23 2017 \$
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6. INCOME TAX EXPENSE (CONTINUED)

d) Losses brought forward

At 31 March 2018 the Group had accumulated tax losses to carry forward for tax purposes of \$3,357,408 (2017: \$3,278,783).

	Notes	2018 \$	2017 \$
7. TRADE RECEIVABLES			
Gross trade receivables		2,023,124	2,397,747
Impairment allowance		(28,446)	(15,251)
Trade receivables		1,994,678	2,382,496
Opening balance of impairment provision		15,251	31,423
Additional expense identified		23,086	7,516
Reversal of previously recognised impairment		(9,891)	(23,688)
		28,446	15,251

8. OTHER ASSETS AND PREPAYMENTS

Deferred IPO costs	290,428	-
Deposit	111,250	107,621
Prepayments	193,662	131,700
Tax receivables	32,608	4,339
Work in Progress	587,943	215,965
	1,215,891	459,625

9. INTANGIBLE ASSETS

CAPITALISED SOFTWARE DEVELOPMENT

Cost		
Opening Balance	894,692	346,249
Additions in the year	626,420	548,443
Closing Balance	1,521,112	894,692
Amortisation		
Opening Balance	(81,629)	-
Charge recognised in statement of comprehensive income	(208,393)	(81,629)
Closing Balance	(290,022)	(81,629)
Net book value	1,231,090	813,063

9. INTANGIBLE ASSETS (CONTINUED)

CAPITALISED SOFTWARE DEVELOPMENT (CONTINUED)

Research costs are expensed as incurred. Costs associated with maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are expensed when incurred. Development costs previously recognised as expenses are not recognised as assets in a subsequent period. Development costs that have a finite useful life that have been capitalised are amortised from the commencement of the time at which they are available for use on a straight-line basis over the period of its expected benefit, not exceeding five years.

Capitalised development costs are carried at cost less accumulated depreciation and impairment losses.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed (currently five years). The amortisation expense is included within the administration expenses in profit or loss.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

Additions in the year comprise salaries, wages and allocated overheads of \$626,420 (2017: \$548,444).

	Notes	2018 \$	As restated Note 23 2017 \$
COMPUTER SOFTWARE			
Cost			
Opening Balance		161,403	34,977
Acquired as part of a business combination (Refer to Note 23)		-	58,077
Additions in the year		-	68,349
Closing Balance		161,403	161,403
Amortisation			
Opening Balance		(48,927)	(34,362)
Charge recognised in statement of comprehensive income		(26,601)	(14,565)
Closing Balance		(75,528)	(48,927)
Net book value		85,875	112,476

	Notes	2018 \$	As restated Note 23 2017 \$
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9. INTANGIBLE ASSETS (CONTINUED)

Assets arising as a result of acquisitions

Goodwill and customer relationship assets (CRA) were recognised as a result of the acquisition of two subsidiaries (refer note 23) as follows:

CUSTOMER RELATIONSHIP INTANGIBLE ASSETS

Cost		
Opening Balance	2,052,235	-
Acquired as part of a business combination (Refer to Note 23)	-	2,052,235
Closing Balance	2,052,235	2,052,235
Amortisation		
Opening Balance	(91,671)	-
Charge recognised in statement of comprehensive income	(375,552)	(91,671)
Closing Balance	(467,223)	(91,671)
Net book value	1,585,012	1,960,564

GOODWILL

Cost		
Opening Balance	2,217,624	-
Acquired as part of a business combination (Refer to Note 23)	-	2,217,624
Closing Balance	2,217,624	2,217,624
Amortisation and impairment		
Closing Balance	-	-
Net book value	2,217,624	2,217,624

Net book value	Capitalised Development Software	Computer Software	Customer Relationship Asset	Goodwill	Total
At 31 March 2018	1,231,090	85,875	1,585,012	2,217,624	5,119,601
At 31 March 2017 (As restated, Note 23)	813,063	112,476	1,960,564	2,217,624	5,103,727

9. INTANGIBLE ASSETS (CONTINUED)

Intangibles acquired in a business combination

Intangibles are recognised on business combinations, if they are separately identifiable from the acquired entity or arise from other contractual/legal rights. Intangibles acquired through a business combination are recognised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied.

The significant intangibles recognised by the Group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

Customer relationships/contracts

Customer relationships, acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition.

Following initial recognition, customer relationship intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Management commissioned an independent valuation of the Elanex and Eurotext customer relationship contracts. The fair value standards have been applied in accordance with NZ IFRS 3 and NZ IFRS 13.

The fair value at the date of acquisition is determined by estimated discounted cash flow valuation using the multi-period exceeds earnings technique.

Key assumptions are as follows:

Revenue was based on pre-acquisition historical financial information adjusted for known losses and customers at the end of contracts.

	Elanex	Eurotext
Annual customer attrition rates	3-5%	1-16%
Gross margin	49%	41%
Earnings before interest, tax, depreciation and amortisation rate	18%	11%
Discount rate %	15.2%	14.8%
Customer relationship useful economic life	5 years	6 years

Goodwill

Goodwill represents the excess of the cost of a business combination over the total fair value of the identifiable assets (including intangibles), liabilities and contingent liabilities acquired at acquisition date.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree. Contingent consideration is included in cost at its fair value at acquisition date and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss.

Direct costs of acquisition are recognised immediately as an expense.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the profit or loss. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to profit or loss on acquisition date.

9. INTANGIBLE ASSETS (CONTINUED)

Intangible asset impairment

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Customer relationship intangible assets are amortised over 5-7 years.

Goodwill impairment

The carrying amount of goodwill has been allocated to the cash generating units (CGUs) as follows: Elanex \$1,769,156 (2017: \$1,769,156, as restated, Note 23) and Eurotext \$448,468 (2017: \$448,468, as restated, Note 23).

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment, by comparing the carrying amount of each CGU to its recoverable amount.

The recoverable amount of all CGUs have been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on 2019 financial budgets approved by the Board, projected over a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

The key assumptions to the value in use calculations are as follows:

	Elanex	Eurotext
Revenue FY19	\$4,212,917	\$3,015,254
Annual revenue growth rates	-3% - 3%	1% - 4%
Gross margin rate	52% - 54%	46% - 48%
Discount rate %	14.40%	14.40%
Growth rate applied beyond 5 years	-35%	-35%

Gross margin is expected to increase over time from the level experienced in FY2018 to the amounts above in FY19 which are based on historic margins achieved and are closer to the Group's norms.

Based on the value in use calculations, there is no impairment of goodwill. If any one of the following reasonably possible changes were made to the above key assumptions for the Elanex CGU, the carrying value and recoverable amount would be equal.

	Elanex
Revenue FY19	\$3,833,754
Gross margin rate	49%

STRAKER TRANSLATIONS LIMITED AND GROUP NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

10. PLANT AND EQUIPMENT

	Furniture and Fittings	Leasehold Equipment	Computer Equipment	Total
2018				
Cost				
Balance at 1 April 2017	59,469	18,765	245,411	323,645
From acquisitions	-	-	-	-
Additions	866	-	51,358	52,224
Disposals	-	-	-	-
Balance at 31 March 2018	60,335	18,765	296,769	375,869
Accumulated Depreciation				
Balance at 1 April 2017	23,089	64	172,331	195,484
Depreciation charge for the year	8,992	3,696	57,522	70,210
Disposals	-	-	-	-
Balance at 31 March 2018	32,081	3,760	229,853	265,694
	Furniture and Fittings	Leasehold Equipment	Computer Equipment	Total
2017				
Cost				
Balance at 1 April 2016	84,380	4,828	224,255	313,463
From acquisitions	-	8,333	62,661	70,994
Additions	9,799	7,897	-	17,696
Disposals	(34,710)	(2,293)	(41,505)	(78,508)
Balance at 31 March 2017	59,469	18,765	245,411	323,645
Accumulated Depreciation				
Balance at 1 April 2016	48,775	442	127,621	176,838
Depreciation charge for the year	9,024	1,914	71,050	81,988
Disposals	(34,710)	(2,292)	(26,340)	(63,342)
Balance at 31 March 2017	23,089	64	172,331	195,484
Net book value				
At 31 March 2018	28,254	15,005	66,916	110,175
At 31 March 2017	36,380	18,701	73,080	128,161

Owned assets

All plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items bringing them to the condition and location intended by management.

10. PLANT AND EQUIPMENT (CONTINUED)

Where material parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment.

Subsequent costs

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. All other costs are charged to profit or loss during the financial period in which they are incurred.

Depreciation

Depreciation is recognised in profit or loss over the estimated useful lives of each part of an item of plant and equipment.

The gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following depreciation rates are used in both years:

▪ Computer equipment	25% -50% Straight Line
▪ Computer software	25% -50% Straight Line
▪ Furniture and fittings	25% -50% Straight Line
▪ Leasehold equipment	8% -10% Straight Line

The residual value, depreciation method and estimated useful life of plant and equipment are reassessed at each reporting date.

Leased Assets

Where substantively all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantively all of the risks and rewards incidental to ownership are not transferred to the Group (an 'operating lease'), the total rentals payable under the lease are charged to profit or loss on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

STRAKER TRANSLATIONS LIMITED AND GROUP NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 MARCH 2018

	Notes	2018 \$	2017 \$
11. TRADE PAYABLES			
Trade payables		510,429	354,293
No interest is incurred on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.			
12. SUNDRY CREDITORS AND ACCRUALS			
Accruals		448,472	350,024
Translator costs accrual		988,891	889,935
Goods and services tax		125,457	76,288
Deferred revenue		238,081	-
		1,800,901	1,316,247
13. EMPLOYEE PROVISIONS			
Provision for holiday pay		223,252	195,263
14. DEFERRED CONSIDERATION LIABILITIES			
Opening balance		3,215,852	-
On acquisition ¹		-	3,215,852
Paid in year ²		(1,001,021)	-
Gain on fair value adjustment ³		(1,078,788)	-
Unwinding of imputed interest		94,504	-
Closing balance		1,230,547	3,215,852
Due within one year		768,236	1,320,473
Due after more than one year		462,311	1,895,379
Total Deferred consideration Liabilities		1,230,547	3,215,852
Deferred consideration element ⁴		982,561	1,408,551
Contingent consideration element ⁵		247,986	1,807,301
Total Deferred consideration Liabilities		1,230,547	3,215,852

¹ Note 23 details the business combinations completed in the prior period for Elanex and Eurotext.

² During the 2018 financial year the Group paid out \$1,001,020 of deferred consideration liability.

14. DEFERRED CONSIDERATION LIABILITIES (CONTINUED)

³ The gain on fair value adjustment to deferred consideration liability includes \$807,849, which has been released to profit and loss as a result of FY18 revenue targets not being met in full and adjusted FY19 revenue forecasts. In addition, the gain on fair value adjustment to deferred consideration liability includes \$270,929, which has been released to profit and loss as a result of an amendment to the earn out date.

⁴ In relation to the acquisition of Elanex, the liability balance includes deferred consideration in the form of promissory notes amounting to USD\$741,788, which have been accrued and are payable on 1 February 2019 (USD\$541,788) and 1 February 2020 (USD\$200,000).

In relation to the acquisition of Eurotext, the liability balance includes a deferred consideration liability of €16,088, which is payable by 31 May 2018.

⁵ In relation to the acquisition of Elanex, an earn out liability of USD\$160,000 (\$220,896) has been recognised based on the achievement of forecast revenue targets on 31 January 2019. Actual performance may differ from that forecast which may result in a lower amount being payable to the vendor. Refer to Note 19 for sensitivity analysis performed on the key assumptions.

The Group has contingent liabilities relating to earn out provisions with the previous shareholders of Eurotext Translations Limited for \$27,090 (2017: \$492,774).

Both liabilities been discounted to fair value based on the Group's incremental borrowing rate and translated to NZD at the year-end exchange rate.

	Notes	2018 \$	2017 \$
15. SHARE CAPITAL			
Ordinary capital			
Balance at beginning of the year		3,197,593	4,197,593
Proceeds from issue of ordinary shares during the year		11,271,886	-
Repayment of proceeds to existing shareholders (ordinary shareholders)		(3,082,294)	(1,000,000)
Costs of share issue		(492,444)	-
Balance at end of the year		10,894,741	3,197,593
Redeemable preference capital			
Balance at beginning of the year		10,507,420	5,509,574
Proceeds from issue of redeemable preference shares during the year		-	5,000,000
Repayment of proceeds to existing shareholders (ordinary shareholders)		-	-
Costs of share issue		-	(2,154)
Balance at end of the year		10,507,420	10,507,420
Total Share Capital		21,402,161	13,705,013

STRAKER TRANSLATIONS LIMITED AND GROUP NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

15. SHARE CAPITAL (CONTINUED)

	2018 No. of Shares	2017 No. of Shares
<u>Ordinary shares</u>		
Share capital at the beginning of the year	2,366,255	2,457,164
Ordinary shares issued during the year	742,060	-
Ordinary shares redeemed during the year	(202,916)	(90,909)
Balance at end of the year	2,905,399	2,366,255
<u>Preference shares</u>		
Numbers of Shares at the beginning of the year	1,123,995	669,450
Convertible preference shares issued during the year	-	454,545
Balance at end of the year	1,123,995	1,123,995

The company has issued 2,905,995 ordinary shares (2017: 2,366,255) at year end. These shares have no par value. Ordinary shares have equal voting rights and share equally in dividends and surplus on winding up.

The Company has issued 1,123,995 convertible preference shares (2017: 1,123,995). The convertible preference shares have equal voting rights and share equally in dividends as ordinary shares but rank ahead of ordinary shares on wind up. The holders of the convertible preference shares have the ability to redeem the preference shares to an equal amount of ordinary shares immediately prior to the completion of the IPO Event or such other time as is agreed between the Company and the holder.

During the year 742,060 ordinary shares were issued at a value of \$11,271,886 and 202,916 (2017: 90,909) ordinary shares were redeemed for \$3,082,294 (2017: \$1,000,000). No additional convertible preference shares were issued (2017: 454,545) for a total net value of nil (2017: \$5,000,000).

16. GROUP SUBSIDIARIES

Subsidiary	Country of Incorporation	Ownership Interest (%) 2018	Ownership Interest (%) 2017
Straker Europe Limited	Ireland	100%	100%
STS Translations Inc. (USA)	United States of America	100%	100%
Straker Translations Pty Limited	Australia	100%	100%
Straker Spain SL	Spain	100%	100%
Straker UK Limited	United Kingdom	100%	100%
Eurotext Translation Limited	Ireland	100%	100%
Elanex Translation Inc.	United States of America	100%	100%
Hong Kong Translations Limited	Hong Kong	100%	-

Straker Spain SL, Straker UK Limited and Eurotext Translation Limited are 100% subsidiaries of Straker Europe Limited. Elanex Translation Inc. is a 100% subsidiary of STS Translations Inc. (USA). All subsidiary companies have 31 March balance dates.

17. CAPITAL MANAGEMENT

The Group's capital includes share capital and retained earnings. The Group's policy is to maintain a strong share capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

While the Group is in growth mode, and is incurring operating losses, the Group issues new share capital from time to time to ensure that the Group has sufficient resources to enable the settlement of liabilities as they fall due. The Group is looking to execute an IPO, though it considers the current capital base to be sufficient should the IPO not eventuate.

The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors. There have been no material changes in the Group's management of capital during the period.

18. EVENTS AFTER THE REPORTING PERIOD

On 1 May 2018 the Group obtained control of Management System Solutions S.L. ("MSS") effective from 1 May 2018, by acquisition of 100% of the issued share capital of the company. MSS is a company incorporated in Spain on 22 December 1993. The main activity of the company is the provision of translation services. The acquisition was made as part of the Group's growth strategy.

	NZD
Purchase price surplus attributable to the Customer relationship asset and Goodwill arising from MSS acquisition	2,540,807

A fair value assessment of the acquiree's assets and liabilities has not been undertaken at the date of signing and the identifiable assets and liabilities are shown at book value. Valuation of the Customer relationship asset by an independent advisor will be commissioned. The excess of the purchase price over the identifiable assets and Customer relationship asset will be recorded as Goodwill. The Goodwill is attributable to the assembled workforce and other synergies expected to arise, which do not qualify for separate recognition. The purchase price surplus shown is therefore a provisional value, which is subject to change.

The following table summarises the major classes of consideration transferred, and the recognised amounts of assets acquired, and liabilities assumed at the acquisition date.

	NZD
Value of consideration	
Cash paid (translated from EUR at settlement rate)	3,244,125
Provisional value of deferred consideration liability	1,286,297
Total consideration transferred	4,530,422
Identifiable assets and liabilities acquired	
Cash and cash equivalents	1,670,141
Trade receivables	443,366
Other assets and prepayments	133,698
Intangible assets – computer software	37,738
Plant and equipment	14,126
Non-current deposits	5,463
Trade payables	(162,183)
Sundry creditors and accruals	(152,374)
Total identifiable net assets	1,989,615
Purchase price surplus	2,540,807

Assets and liabilities have been translated from EUR at the rate ruling on the effective date of the acquisition. Goodwill is not expected to be tax deductible.

18. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

The deferred consideration liability is contingent on future revenues. The disclosed value represents the maximum liability payable under the terms of the Sale & Purchase Agreement, which is payable after 12 and 24 months from the date of acquisition based on the revenue of the preceding 12 months. The value of this contingent liability ranges from nil if revenue is less than €1.6m, a prorata amount if revenue is between €1.6m and €2.0m, and the full amount if revenue is greater than €2m.

If the acquisition date for MSS had been 1 April 2017, the pro forma revenue and profit to be included in the Group's results would have been:

	NZD
Revenue	3,155,009
Profit after tax	264,449

There are no other events after the reporting date to be disclosed.

19. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk; and
- Foreign exchange risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Cash and cash equivalents
- Trade and other receivables
- Trade payables, accruals and translator costs accrual
- Deferred consideration liability

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk management objectives, policies and processes

The Group manages their exposure to key financial risks, including credit risk, liquidity risk and foreign exchange risk in accordance with the Group's financial risk management policies. The objective of these policies is to support the delivery of the Group's financial targets whilst protecting future financial security.

The Board reviews and agrees policies for managing each of these risks as summarised below.

i) Financial instruments by category

31 March 2018

	Loans and Receivables \$	Liabilities at Amortised Cost \$	Fair value through Profit or Loss \$	Total Carrying Amount \$
Financial Assets				
Cash and cash equivalents	7,823,853	-	-	7,823,853
Trade and other receivables	1,994,678	-	-	1,994,678
Total	9,818,531	-	-	9,818,531
Financial Liabilities				
Trade payables	-	(510,429)	-	(510,429)
Accruals	-	(448,421)	-	(448,421)
Translator costs accrual	-	(988,891)	-	(988,891)
Deferred consideration	-	-	(1,230,548)	(1,230,548)
Total	-	(1,947,741)	(1,230,548)	(3,178,289)

Maturity analysis – Contractual liabilities

	Due Current	Due 1-12m	Due 13-24 m	Due 25-36m	Total
Trade payables	510,429	-	-	-	510,429
Accruals	448,421	-	-	-	448,421
Translator costs accrual	988,891	-	-	-	988,891
Deferred consideration	-	817,403	491,899	-	1,309,302
	1,947,741	817,403	491,899	-	3,257,043

STRAKER TRANSLATIONS LIMITED AND GROUP NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

i) Financial instruments by category (continued)

31 March 2017

	Loans and Receivables	Liabilities at Amortised Cost	Fair value through Profit or Loss	Total Carrying Amount
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	3,475,178	-	-	3,475,178
Trade and other receivables	2,382,496	-	-	2,382,496
Total	5,857,674	-	-	5,857,674
Financial Liabilities				
Trade payables	-	(354,293)	-	(354,293)
Accruals	-	(350,024)	-	(350,024)
Translator costs accrual	-	(889,935)	-	(889,935)
Deferred consideration	-	-	(3,215,852)	(3,215,852)
Total	-	(1,594,252)	(3,215,852)	(4,810,104)

Maturity analysis

	Due Current	Due 1-12m	Due 13-24 m	Due 25-36m	Total
Trade payables	354,293	-	-	-	354,293
Accruals	350,024	-	-	-	350,024
Translator costs accrual	889,935	-	-	-	889,935
Deferred consideration	485,298	875,137	1,236,521	932,323	3,529,279
	2,079,550	875,137	1,236,521	932,323	5,123,531

Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, trade payables and accruals. Due to their short term nature, the carrying value of each approximates their fair value.

Financial instruments measured at fair value

The fair value hierarchy of financial instruments measured at fair value is provided below.

	Notes	2018	2017
Level 3		\$	\$
Financial Liabilities			
Deferred consideration		1,230,548	3,215,852

There are no Level 1 or Level 2 financial instruments. There were no transfers between levels during the year.

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Quantitative information on significant unobservable inputs – Level 3

The fair value of the Level 3 deferred consideration liability has been determined by discounted cash flow valuation technique.

The fair value of the Level 3 deferred consideration liability has been determined with reference to unobservable inputs, including forecast Revenue of US\$4.1m and cost of debt of 6.4%.

There was no change to the valuation technique used during the year.

Sensitivity analysis to significant changes in unobservable inputs – Level 3

A +/-10% change in the forecast revenue input has a \$143,030 effect on the fair value of the deferred consideration liability recognised at fair value through profit or loss. A +/-10% change in the discount rate input has a \$5,076 effect on the fair value of the earnout liability recognised at fair value through profit or loss.

ii) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Group to credit risk principally consist of cash and cash equivalents and trade receivables.

In the normal course of business, the Group incurs credit risk from debtors and transactions with banking institutions. The Group manages its exposure to credit risk by:

- holding bank balances with banking institutions with good credit ratings; and
- maintaining credit control procedures over debtors. The Group performs credit evaluations on all customers requiring credit.

The maximum exposure at reporting date is equal to the total carrying amount of cash and cash equivalents, and trade receivables as disclosed in the Statement of Financial Position. At each reporting date, trade receivables are reviewed for indicators of impairment. Where there are indicators of impairment, an impairment allowance in the value of the receivable is made and recognised in profit or loss.

The Group does not require any collateral or security to support these financial instruments and other debts it holds due to the low risk associated with the counterparties to these instruments.

Trade receivables, as provided in note 7, remain current and no balances are past due or impaired.

A significant amount of cash and cash equivalents is held with the following institutions:

	Rating	2018	2017
AIB	BB+	289,728	277,062
ANZ New Zealand	AA-	4,619,721	1,702,259
Banco Sabodell	BBB	1,862,289	9,451
Citibank N.A.	A+	524,108	680,641

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group closely monitors its cash inflows and cash requirements to manage the net position in order to maintain an appropriate liquidity position. The Directors consider that with the monies raised from the issue of share capital (Note 15) that liquidity is sufficient for the foreseeable future.

iv) Foreign currency risk

The Group has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies arising from normal trading activities. The foreign currencies in which the Group primarily transacts are Euros and US Dollars.

The following significant exchange rates applied during the year:

	Monthly average rate		Reporting date spot rate	
	2018	2017	2018	2017
EUR	0.6209	0.6305	0.5877	0.6541
USD	0.7114	0.6947	0.7243	0.6985

The table below summarises the material foreign exchange exposure on the net monetary assets and liabilities of entity against the significant foreign currencies in which the Group primarily transacts, expressed in NZD:

	2018	2017
	NZ\$	NZ\$
EUR	2,448,061	341,491
USD	603,286	1,668,352

Sensitivity analysis

Based on the net exposure above, the table below outlines the sensitivity of profit and equity to reasonably likely movements of that currency to the NZD.

	Post tax profit Higher/(lower)	
	2018	2017
	NZ\$	NZ\$
10% weakening in NZD/EUR	138,181	34,149
5% strengthening in NZD/EUR	(214,180)	(17,075)
10% weakening in NZD/USD	42,917	166,835
5% strengthening in NZD/USD	(64,375)	(83,418)

20. RELATED PARTY TRANSACTIONS

The Group's related parties include its subsidiary companies as disclosed in Note 16. All related party transactions within the Group are eliminated on consolidation.

a) Transactions during the normal course of business

No related party transactions were noted during the year.

b) Transactions with key management personnel

Key management of the Group are considered to be members of the Board of Directors of Straker Translations Limited. As required by s(211)(f) of the Companies Act 1993, the following key management personnel remuneration was paid out during the year:

2018	Director Fees	Consulting Fees	Employee Benefits – Defined Contribution Plan	Salary & Fees	Total \$
Grant Straker	-	-	9,954	268,333	278,287
Stephen Donovan	40,000	33,769	-	-	73,769
Philip Norman	50,000	-	-	-	50,000
Tim Williams	42,000	-	-	-	42,000
Paul Wilson	40,000	-	-	-	40,000
James Johnstone	40,000	-	-	-	40,000
	<u>212,000</u>	<u>33,769</u>	<u>9,954</u>	<u>268,333</u>	<u>524,056</u>

2017	Consulting Fees	Employee Benefits – Defined Contribution Plan	Share Options Vested	Salary & Fees	Total \$
Grant Straker	-	8,523	1,817	225,092	235,432
Stephen Donovan	33,100	4,843	1,817	157,494	197,254
Philip Norman	50,000	-	1,817	-	51,817
Tim Williams	42,000	-	-	-	42,000
Paul Wilson	39,996	-	-	-	39,996
James Johnstone	16,518	-	-	-	16,518
	<u>181,614</u>	<u>13,366</u>	<u>5,451</u>	<u>382,586</u>	<u>583,017</u>

STRAKER TRANSLATIONS LIMITED AND GROUP NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
(CONT'D) FOR THE YEAR ENDED 31 MARCH 2018

21. SHARE OPTIONS

Options to subscribe for shares have been issued to certain Directors and employees of the Group. The purpose of this plan is to incentivise, attract, retain and reward certain staff for their service to the Group and to motivate them to contribute to the growth and profitability of the Group.

The options vest at each financial year end. All options are fully exercisable 1 July 2020.

Reconciliation of outstanding options	Number of Options	Average Exercise Price
Balance at 1 April 2016	35,025	\$6.14
Issued during the year	53,804	\$11.00
Balance at 31 March 2017	88,829	\$9.20
Issued during the year	36,079	\$15.19
Lapsed/Exercised during the year	(839)	\$5.96
Balance at 31 March 2018	124,069	\$10.90

The fair value of options granted was measured based upon the Black Scholes pricing model. Expected volatility is estimated by considering historic average share price and internal valuation volatility.

	2018	2017
Fair Value on grant date	\$	\$
Share Price at grant date	\$15.19	\$11.00
Exercise Price	\$15.19	\$11.00
Expected Volatility	30%	30%
Expected Life	3 years	1.25 years
Risk Free rate	3%	3%

Directors

The following directors hold the following number of options as at balance date:

Name	Exercise Price	Number of Options
Grant Straker, Stephen Donovan and Philip Norman	\$5.96	4,196

22. OPERATING LEASE ARRANGEMENTS – AS LESSEE

Minimum lease payments - Non-cancellable operating lease commitments

No longer than one year	267,561	173,896
Longer than one year and not longer than five years	78,219	171,689
	345,780	345,585

The Group as lessee

Operating leases relate to office premises with lease terms of between 1 to 3 years, with options to extend for a further 3 years. All operating lease contracts contain market review clauses in the event that the Group exercises its option to renew. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

23. BUSINESS COMBINATIONS COMPLETED IN PRIOR PERIOD

During the previous year, the Group acquired two subsidiary companies, Eurotext Translation Limited ("Eurotext") and Elanex Translation Inc ("Elanex").

Both entities are providers of translation services and the acquisitions were made as part of the growth strategy of the Group. The goodwill for both acquisitions reflect intangibles assets which do not qualify for separate recognition and include synergies expected.

Eurotext Translation Limited "Eurotext" (Republic of Ireland)

On 1 October 2016 the Group obtained control of Eurotext by acquisition of 100% of the share capital of the company.

Elanex Translation Incorporated "Elanex" (USA)

On 1 February 2017 the Group obtained control of Elanex by acquisition of 100% of the share capital of the company.

As disclosed in the prior period's Annual Report, the value of the identifiable net assets of the subsidiary companies had only been determined on a provisional basis as the Group were still obtaining historical information in respect of customers acquired in both acquisitions. There have been no changes to the fair value of the identifiable net assets, other than fair value of customer list intangible assets and associated deferred tax liabilities, and the subsequent change to goodwill.

Details of the (restated) fair value of identifiable assets and liabilities, purchase consideration and goodwill are as follows:

Eurotext	Book value	Restated adjustment	Restated fair value
Cash	160,200	-	160,200
Debtors and other receivables	480,056	-	480,056
Fixed assets	129,071	-	129,071
Intangible assets	-	610,664	610,664
Creditors and accruals	(540,036)	-	(540,036)
Tax	(1,295)	-	(1,295)
GST (VAT)	23,518	-	23,518
Deferred tax liability	-	(170,986)	(170,986)
Total net assets	251,514	439,678	691,192
Cash paid (NZD)			385,802
Fair value of deferred consideration liability on acquisition (Note 14)			753,858
Total consideration transferred			1,139,660
Goodwill (note 9)			448,468

23. BUSINESS COMBINATIONS COMPLETED IN PRIOR PERIOD (CONTINUED)

Elanex	Book value	Restated adjustment	Restated fair value
Cash	1,074,552	-	1,074,552
Debtors and other receivables	1,224,181	-	1,224,181
Intangible assets	-	1,441,571	1,441,571
Creditors and accruals	(462,557)	-	(462,557)
Tax	1,140	-	1,140
Deferred tax liability	-	(403,640)	(403,640)
Total net assets	1,837,316	1,037,931	2,875,247
Cash paid (NZD)			2,270,241
Fair value of deferred consideration liability on acquisition (Note 14)			2,374,162
Total consideration transferred			4,644,403
Goodwill (note 9)			1,769,156

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The Group measures goodwill at the acquisition date as:

- The fair value of consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

The 2017 comparatives have been restated in these financial statements to include the effect of the adjustments noted, as well as the recognition of amortisation expense of \$91,671 to profit or loss for the year ended 31 March 2017.

23. BUSINESS COMBINATIONS COMPLETED IN PRIOR PERIOD (CONTINUED)

Under paragraph 10(f) of NZ IAS 1 Presentation of financial statements, this restatement would ordinarily require the presentation of a third consolidated statement of financial position as at 1 April 2016. However, as the restatement of the provisional fair values would have no effect on the statement of financial position as at that date, the Directors do not consider that this would provide useful additional information and, in consequence, have not presented a third consolidated statement of financial position due to prior period business combinations.

A liability is recognised for deferred consideration and contingent future earn out liability. This is detailed in note 14.

	Notes	2018 \$	As restated Note 23 2017 \$
24. RECONCILIATION OF NET PROFIT FOR THE YEAR WITH NET CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss after tax for the year		(1,524,291)	(2,680,311)
Adjusted for:			
Non-cash items			
Amortisation of capitalised software development		208,393	81,629
Amortisation of computer software		26,601	14,565
Amortisation of acquired intangibles		375,552	91,671
Bad debts		2,111	7,817
Depreciation		70,210	71,480
Asset written off		-	15,166
Imputed interest on earn out liability		94,504	87,831
Fair value of earn-out liability on acquisition		(1,078,778)	-
Share options		60,523	36,187
Taxation		(130,822)	-
Unrealised foreign currency loss		120,810	-
Impact of changes in working capital items			
Movement in debtors, prepayments and other debtors		186,219	272,682
Movement in creditors, accruals and other payables		330,369	(32,512)
Movement in tax provisions		(28,269)	5,941
Movement in GST		49,168	101,854
Net cash flow from operating activities		(1,237,700)	(1,926,000)

Non-cash investing and financing activities

Significant non-cash transactions included in investing and financing activities include gain on fair value adjustment and unwinding of imputed interest on deferred consideration liabilities, as detailed in Note 14.

25. GOING CONCERN

The consolidated financial statements at 31 March 2018 disclose an operating loss before net finance costs of \$2,538,889; operating cash outflows of \$1,237,700; and positive net working capital of \$7,731,655. In addition, the Group has up to \$768,236 of deferred consideration liability to pay within twelve months from the date of signing of these financial statements.

The Directors have considered the current financial position of the Group and the going concern assumption, and are of the belief that the going concern assumption is valid on the basis of the following:

The Group's forecast cashflows indicate they will be in a position to pay their debts as they fall due in the foreseeable future being a period of twelve months from the date of signing the financial statements. The key assumptions to the forecast are that the Group will achieve a breakeven operating cashflow for the year ended 31 March 2019 based on sales growth across all subsidiaries and from synergies arising from the integration of the Eurotext and Elanex acquisitions. The Directors acknowledge there are uncertainties associated with achieving the revenue growth and synergies but consider there is headroom or capital raising options available should the forecast not be met.

These financial statements do not include any adjustments that may need to be made to reflect the position should the Group be unable to continue as a going concern. Such adjustments may include assets being realised at other than the amounts at which they are recorded in the consolidated Statement of Financial Position. In addition, the Group may have to provide for further liabilities that might arise.

26. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Consolidation

The financial statements incorporate the financial statements of the Parent and entities controlled by the Company (its subsidiaries). Control exists when the Parent is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

The Parent controls a subsidiary if and only if the Parent has all the following: (a) power over the subsidiary; (b) exposure, or rights, to variable returns from its involvement with the subsidiary; and (c) the ability to use its power over the subsidiary to affect the amount of the Parent's returns.

The results of subsidiaries acquired or disposed of during the period are included in the profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

b) Foreign currency translation of Group companies' functional currency to presentation currency

The transactions of foreign subsidiaries are translated into New Zealand dollars at the average monthly rate, determined as a fair approximation the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange variations resulting from the translation are recognised in the foreign currency translation reserve ("FCTR") in other comprehensive income.

When a foreign operation is disposed of in part or in full, the relevant amount in the FCTR is transferred to the profit or loss as part of the profit or loss on disposal.

26. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recovered from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST (the net amount of the GST recoverable from or payable to the taxation authority is included as part of receivables or payables).

Cash flows are included in the statement of cash flows on a net basis. The GST component of cash flows arising from investing and financing which is recovered from or paid to, the taxation authority is classified as operating cash flow.

d) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument in another entity.

Financial assets and financial liabilities are offset only when the entity has a legally enforceable right to set off the recognised amounts, and intends to settle on a net basis, or to realise the asset and liability simultaneously. The right of set off must not be contingent on a future event, and must be legally enforceable in the normal course of business, and in the event of default and in the event of insolvency or bankruptcy of the entity and all of the counterparties.

Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group's transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

Regular way purchases and sales of financial instruments are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the instrument. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Non-derivative financial instruments

Non-derivative financial assets

Non-derivative financial assets comprise cash and cash equivalents, and trade and other receivables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Subsequent to initial recognition, other non-derivative financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

26. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial instruments (continued)

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets as loans and receivables. Financial assets categorised as “Loans and Receivables” comprise:

- Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

- Trade and other receivables

Receivables of a short term nature are not discounted.

Non-derivative financial liabilities

Non-derivative financial liabilities comprise trade payables, accruals, translator costs accrual and earnout liability.

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the following:

- Other financial liabilities

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

The Group's other financial liabilities comprise: trade payables, accruals, and translator costs accrual.

- Financial liabilities at fair value through profit or loss

After initial measurement, the Group measures its financial instruments which are classified as at FVPL, at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets and liabilities at FVPL in profit or loss. Interest and dividends earned or paid on these instruments are recorded separately in interest revenue or expense and dividend revenue or expense in profit or loss.

Financial liabilities designated at fair value through profit or loss comprise earnout liability.

26. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Impairment of assets

Financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset and that effect can be measured reliably.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar characteristics. Significant financial assets that are not found to be impaired when individually tested are included in collective testing.

Impairment allowances are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such an allowance being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such allowances are recorded in a separate allowance account with the loss being recognised within administrative expenses in profit or loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated allowance.

Non-financial assets

The carrying amounts of the Group's non-financial assets other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in profit or loss.

Estimated recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

A cash-generating unit is the smallest group of assets that independently generates cash flow and whose cash flow is largely independent of the cash flows generated by other assets.

Goodwill is tested for impairment annually.

f) Employee benefits

Short Term Employee Benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave settled within twelve months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled on an undiscounted basis. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

26. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Employee benefits (continued)

Defined contribution schemes

Contributions to defined contribution schemes are charged to the profit or loss in the year to which they relate.

Equity settled share option plan

The Employee Share Option Plan allows Group employees to acquire shares in the Company. The fair value of options granted is recognised as an employee expense in profit and loss with a corresponding increase in the share option reserve. The fair value is measured at the grant date and spread over the vesting periods. The fair value of the options granted is measured using the Black-Scholes pricing model, taking into account terms and conditions upon which the options are granted. When options are exercised the amount in the share option reserve relating to those options, together with the exercise price paid by the employee, is transferred to share capital. The amounts that relate to vested options which lapse or pass maturity is transferred to retained earnings.

STRAKER TRANSLATIONS LIMITED AND GROUP
STATUTORY INFORMATION

As required under s(211) of the Companies Act 1993, the Company and Group disclose the following statutory information.

Entries Made into the Companies Interests Register

Director	Relevant Interest	% of Ordinary Shares Owned 31 March 2018	% of Ordinary Shares Owned 31 March 2017
Stephen Donovan	Ordinary Shares	4.44%	5.88%
Grant Straker	Ordinary Shares	18.19%	24.94%
Tim Williams	Ordinary Shares	0.28%	0.32%

Number of Employees or Ex-Employees, excluding Directors, who received benefits exceeding \$100,000 during the year:

	No# of Employees
\$100,000 to \$120,000	4
\$120,001 to \$140,000	4
\$140,001 to \$160,000	-
\$160,001 to \$200,000	5
\$200,001 to \$240,000	1

Donations made

The Group made donations during the year of \$300 (2017: nil).