straker
TRANSLATIONS

STRAKER INTERIM REPORT 2021

THE FASTEST, EASIEST SMARTEST TRANSLATION

ASX:STG
STRAKER TRANSLATIONS GROUP

Straker is a world leading AI data driven language translation platform powering the global growth of businesses

Contents

Ai POWERED
RAY

What we do

We enable the translation of documents, websites, technical manuals and e-commerce platforms for both large and small businesses across a range of industries

Straker helps leading technology companies streamline and scale their ability to communicate across regions

Straker works with major e-commerce providers to localise their product websites into multiple languages

Straker helps major financial institutions deliver quarterly market reports in multiple languages

Straker enables thousands of SME's to cost-effectively cross-border trade without language as a barrier

Straker enables global media companies to provide content in multiple languages across multiple platforms

Straker provides leading global manufacturers with the ability to easily launch new products into multiple markets

Highlights

9%
YoY revenue growth

$0.04m
Adjusted EBITDA[1]

32%
Repeat revenue growth

$7.7m
Cash at bank

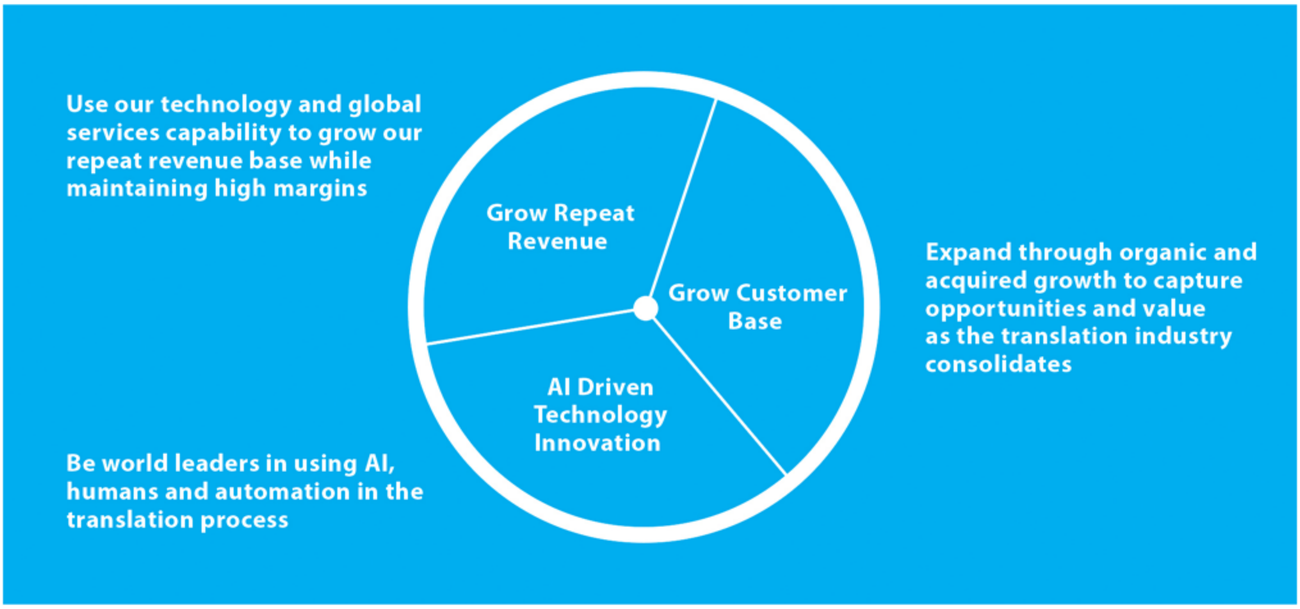
59%
Revenue from Enterprise customers

1. Adjusted EBITDA is a non-IFRS measure.
Refer to pages 11 for reconciliation and explanation to IFRS financial information

Our Strategy

Straker Translations' strategy is built on a focus on innovation and growth.

What we achieved in the first half of the year:



AI driven technology innovation

Our proposition is founded on our Ai-Powered RAY platform. Our goal is to be the world leaders in using humans and automation in the translation process.

- Delivered upgrades to the RAY Application programming interface making it easier for customers to integrate their systems with ours
- Increased the capacity of RAY Ai to meet growing demand from large enterprises in the media sector
- Data volumes processed through our platform increased by 81% driving improvements in translation efficiency
- Delivered subtitles for a media event for a large enterprise customer covering multiple languages and reaching their extensive client base

Grow customer base

Straker's growth strategy is founded on building organically from our existing operations and through acquisitions that will take us into new markets and establish new enterprise relationships.

- Achieved record half year sales of $14.8 million
- Restarted merger and acquisitions discussions with several parties after a COVID-19 hiatus in the first quarter of the financial year
- Grew our enterprise customer base with enterprises generating 59% of total revenues

Grow repeat revenue

Straker uses its technology and global services capability to grow our repeating revenue base, while maintaining high margins.

- Annualised repeat revenues rise 32% on the same period a year ago to $28.1 million
- Delivered margin and sales improvements at our recent acquisitions NZTC (New Zealand) and On-Global (Spain) as they integrated our technology into their businesses and grew their enterprise customer bases
- Strengthened relationships with large enterprise customers and increased our share of their global spend on translations

Straker and IBM enter Strategic Alliance

Agreement covers 55 languages and will see Straker linking with IBM's technology infrastructure.

In November 2020, Straker Translations struck a transformative agreement with International Business Machines Corporation (IBM) that will see it become the Fortune 500 company's strategic translation provider from January 2021.

The agreement will extend Strakers' current relationship with IBM, from one language (Spanish) to 55 languages. It will directly link Strakers' proprietary Ai-Powered RAY platform with IBM's technology platforms.

The strategic agreement with IBM represents a real validation of the business' strategy to accelerate growth through the acquisition of companies that among other qualities enjoy strong relationships with global enterprise customers that will benefit from Straker's global reach and service proposition.

Straker established its relationship with IBM through its acquisition of MSS in Spain in 2018. MSS, which met all of the outlined acquisition criteria, was providing only Spanish translation services to IBM.

However, soon after MSS was integrated with Straker and implemented their Ai-Powered RAY translation platform, it became clear that Straker could now offer IBM more.

The industry, like almost every other, is being fundamentally changed by the accelerating use of AI tools and technology across all facets of localisation.

The agreement will require extensive integration with IBM and the opportunity to build a deep partnership with the world's leading AI company is hugely exciting for Straker. It's expected to open up new opportunities for the Company to partner on innovation with enterprise within this industry.

Given the nature of this agreement, it is not possible to quantify the potential revenue to be generated by the agreement, as such financial effects can only be determined over time based on usage volume. With the expanded scope, however, Straker anticipates a 30% increase in its headcount to support future service provision.

IBM success reinforces our acquisition strategy outlined below

Enterprise Customers

Good base of enterprise customers

Geography

Locations with strategic value

Gross margin uplift

Lift the gross margin of the acquired company through our technology platform

Cost Consolidation

Ability to consolidate costs

In market sales resources

Good sales, account management and growth focused people in the team

Wide customer spread

Extensive global reach

Chairman's & CEO's Review

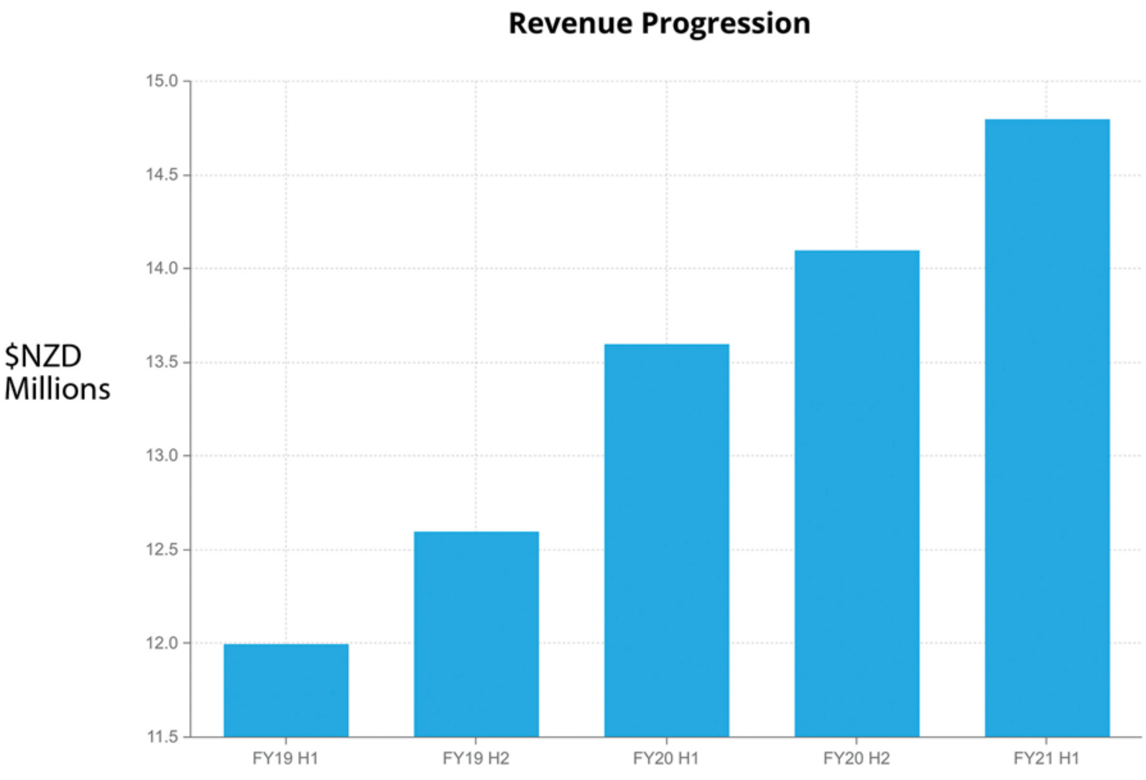
Reaping the benefits of consolidation

"The impact of COVID-19 is accelerating the transition of the translation industry to an outsourced and automated model."

Straker Translations has made good progress over the last year. Although the COVID-19 pandemic disrupted momentum and margins in the first quarter, we have over the last few months seen a resumption of growth and this culminated in September with our largest ever sales month.
Indeed, revenue and earnings have both improved as the recent acquisitions of NZTC in New Zealand and On-Global in Spain contribute to group sales and benefit from the roll out of the company's world-leading Ai-powered RAY language translation platform.

We have also made progress on our plan to build on the successful integration of these companies with the resumption of discussions over several potential acquisitions. We are aiming to complete at least one material transaction by the end of the financial year.

The impact of COVID-19 is accelerating the transition of the translation industry to an outsourced and automated model and we are benefitting from this trend.
Our technology and service proposition continues to gain recognition around the world, and this interest is filling the sales pipeline. We are seeing particularly strong engagement with global enterprise customers who value our global reach as much as they value the speed, accuracy and service that our platform delivers.



Chairman's & CEO's Review

Financial results

Revenue for the half-year to 30 September 2020 increased 9% to $14.8 million from $13.6 million in the prior corresponding period. The increase was driven largely by the contribution of recent acquisitions and a strong performance securing new contracts in the enterprise and media sectors. These gains were offset by COVID-19 related trading disruptions.

Annualised repeat revenues – an indicator of core revenue for the year ahead - rose 32% to $28.1 million from $21.3 million in the same period a year ago. Repeat revenue now represents 93% of total revenue, with enterprise customers accounting for 59% of all revenues.

Gross margins rose to $7.6 million from $7.4 million in the prior year reflecting the contribution of acquisitions. However, it fell as a proportion of total revenue from 54.4% to 51.1% reflecting the short-term dilutionary impact that acquisitions have on group margins.

We expect over time that these margins will increase as we progressively migrate acquired companies onto the RAY platform, which produces gross margins closer to 60%. We also saw some encouraging margin improvements towards the end of the second quarter.

Adjusted EBITDA profit at $0.04 million was achieved, up from a $0.24 million loss in the prior corresponding period. The improvement in profitability was due to cost savings and acquisition synergies, including the introduction of the RAY translation platform into acquired businesses and pre-emptive COVID-19 cutbacks. Some $0.42 million of other income, of which the majority was government COVID-19 related grants, and an increase in capitalised development costs also assisted with the improvement.

Operating cash outflow narrowed significantly to $0.37 million down from $1.48 million in the same period last year reflecting increased revenue and cost reductions including the benefit of synergies resulting from the integration of acquisitions.

Cash outflow for the half-year was $3.2 million, an improvement on the prior year's $4.5 million cash outflow and included $1.9 million of performance related payments to the vendors of companies we acquired. In the prior year we made $0.64 million of these payments and also invested $1.3 million for acquisitions. Straker's funding position remains strong with $7.7 million of cash on hand and it remains in a position to deliver on its organic growth and acquisition strategies.

Strategic results

Straker Translations has three strategic priorities: achieve organic and acquisition growth; build repeat revenues; and enhance its technological leadership of the translation process. We have made strong progress in all three areas over the last year and delivered tangible improvements in shareholder value.

Our recent acquisitions, NZTC in New Zealand and On-Global in Spain, are seeing substantial gains from the integration of the Ai-Powered RAY translation platform into their businesses. The platform is driving improvements in margins, while our global reach and capacity is also helping to drive an uplift in sales.

Chairman's & CEO's Review

Strategic results continued

Our pipeline of acquisition opportunities is strong. In the wake of the COVID-19 outbreak, we scaled back our discussions with several parties because of the uncertain outlook to global markets. However, customer demand for translation services has remained robust, while - as mentioned earlier - the pandemic has highlighted the merits of our approach.

Accordingly, we have resumed discussions with a number of parties that offer the characteristics Straker seeks, including: a strategic geographic location; a wide spread of customers with a strong cohort of enterprise customers; strong in-market sales resources; potential for synergies and a good cultural fit. We expect to conclude at least one such acquisition before the end of March 2021.

Enterprise relationships are a crucial quality we seek in any target as these customers offer the strongest potential for accelerated revenue growth in future years, furthering our goal to grow organically and build repeat revenues.

Indeed, we estimate the enterprise customers with whom we are already transacting collectively spend upwards of $500 million each year on translation services. As these customers become more aware of our global capability, our speed, cost advantages, and our service proposition, we believe we can continue to earn more of their business.

Our sales performance over the last half-year shows this approach is delivering results, particularly our strong improvements in recurring revenues and the increasing proportion of sales to enterprise customers.

The strongest evidence in the current financial year came early this month, when we announced a strategic alliance with IBM to provide language translation services across 55 languages starting in January 2021. The relationship emerged out of Straker's acquisition of MSS in Spain in 2018. MSS was providing only Spanish translation services to IBM. However, soon after MSS was integrated with Straker and implemented the RAY translation platform, it became clear that we could offer IBM more. This deal is significant, although at present we are not able to quantify the impact on revenue.

The growing use of our platform globally has seen an 81% increase in the volume of data we processed, compared to the same period a year ago, incrementally increasing the power of our RAY platform. Higher volumes drive increases in the speed and accuracy of our machine translation processes. The improved efficiency results in a reduction of input from our human translators and drives improvements in margin.

We have meanwhile continued investment to extend our technological leadership. Key developments over the period have included upgrades to the RAY Application Programming Interface to make it easier for customers to integrate their systems with ours, thereby increasing the automation of the translation process.

We have updated the speech-recognition module for RAY's subtitling workbench and new modules to simplify payments to our network of crowd-sourced translators.
We have moved to increase the capacity of RAY to deliver on the growing demand for subtitling from key media clients and to assist us with our drive into advanced dubbing technology.

Chairman's & CEO's Review

Outlook

Straker is well placed for continued growth in the second half of the financial year and beyond. Core repeat revenue is strong. The relationships we have established with new enterprise customers, both through acquisitions and ongoing dynamic engagement by our sales team, position us well for continued organic growth.

We continue to expect revenue from the recently announced IBM agreement to positively impact the Q4FY21 financial results and expect it to yield a significant contribution in FY22.

Meanwhile, with COVID-19 accelerating the consolidation of the global translation industry, we have resumed talks with several potential acquisition targets where we can drive immediate margin improvements as we integrate our technology and share support office costs.

We are looking ahead with confidence and look forward to providing an update at the end of the third quarter, if not before.

Finally, on behalf of shareholders we would like to acknowledge the commitment of the entire Straker team through what has been a testing period. You have delivered an outstanding result.

Phil Norman
Chairman

25 November 2020

Grant Straker
Chief Executive

25 November 2020

IFRS to Non-IFRS Reconciliation

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	**H1 FY21 $'000**	**H1 FY20 $'000**	**Change**
Operating loss before net finance expense and tax	(1,763)	(2,042)	14%
Add:			
Depreciation & amortisation	658	593	-11%
Amortisation of acquired intangibles	644	442	-46%
EBITDA	**(461)**	**(1,007)**	**54%**
EBITDA Margin	-3.1%	-7.4%	4.3%
Acquisition & integration costs	165	468	65%
Other non-operating costs	336	296	-14%
Adjusted EBITDA	**40**	**(244)**	**116%**
Adjusted EBITDA Margin	0.3%	-1.8%	2.1%

Earnings Before Interest & Tax (EBIT)	**H1 FY20 $'000**	**H1 FY19 $'000**	**Change**
Operating loss before net finance expense and tax	(1,763)	(2,042)	14%
Add:			
Acquisition & integration costs	165	468	65%
Other non-operating costs	336	296	-14%
Amortisation of acquired intangibles	644	442	-46%
Adjusted EBIT	**(618)**	**(836)**	**26%**
Adjusted EBIT Margin	-4.2%	-6.2%	2.0%

IFRS vs non-IFRS. To ensure that the presentation of results reflects the underlying performance of the business, Straker 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.

EBIT is a non-IFRS term which relates to operating loss before net finance income

Non-operating costs include costs of restructuring activities and non-recurring consulting costs.

The non-IFRS measures have not been independently audited or reviewed.

Straker Translations Limited and Group Condensed Interim Financial Report

FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2020

Financial Report Contents

Independent Auditor's Report

to the shareholders of Straker Translations Limited

BDO Auckland

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

Report on the Condensed Interim Consolidated Financial Statements
We have reviewed the accompanying condensed interim consolidated financial statements of Straker Translations Limited ("the Company") and its subsidiaries (together, "the Group") on pages 15 - 26, which comprise the statement of financial position as at 30 September 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six month period ended on that date, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility
The Board of Directors of the Company is responsible for the preparation and fair presentation of the condensed interim consolidated financial statements in accordance with NZ IAS 34 *Interim Financial Reporting,* and for such internal control as the Board of Directors determine is necessary to enable the preparation and fair presentation of the condensed interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Our Responsibility
Our responsibility is to express a conclusion on the condensed interim consolidated financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity*. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with NZ IAS 34 *Interim Financial Reporting*. As the auditor of the Group, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of the condensed interim consolidated financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly, we do not express an audit opinion on the condensed interim consolidated financial statements.

Our firm carries out other assignments for the Group in the areas of taxation advice. The firm has no other relationship with, or interests in, the Company or any of its subsidiaries.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that these condensed interim consolidated financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 30 September 2020, and of its financial performance and its cash flows for the period ended on that date, in accordance with NZ IAS 34 *Interim Financial Reporting*.

BDO Auckland

BDO Auckland
25 November 2020
Auckland
New Zealand

Consolidated Statement of Profit or Loss and other Comprehensive Income
For the half-year ended 30 September 2020

	Notes	For the half-year ended 30 September 2020 $'000	For the half-year ended 30 September 2019 $'000
Revenue	3	14,805	13,586
Cost of sales (translator contractor costs)		(7,241)	(6,194)
Gross margin		7,564	7,392
Other income	4	415	27
		7,979	7,419
Selling and distribution expenses		(4,189)	(4,564)
Administration expenses		(4,744)	(3,987)
Loss from trading operations before amortisation of acquired intangibles and acquisition and integration costs, finance expense and tax		(954)	(1,132)
Amortisation of acquired intangibles	6	(644)	(442)
Acquisition and integration costs		(165)	(468)
Operating loss before net finance expense and tax		(1,763)	(2,042)
Finance income		13	1,816
Finance expense		(855)	(34)
Net finance (expense)/income		(842)	1,782
Loss before income tax		(2,605)	(260)
Income tax credit		108	62
Loss for the half-year after tax		(2,497)	(198)
Other Comprehensive Income			
Items that may be reclassified to profit or loss, net of tax			
Exchange differences on translation of foreign operations		537	(602)
Total Comprehensive loss for the half-year		**(1,960)**	**(800)**
Earnings per share for the period			
Basic earnings per share (cents)	8	(4.70)	(0.38)
Diluted earnings per share (cents)	8	(4.59)	(0.36)

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

Consolidated Statement of Changes in Equity
For the half-year ended 30 September 2020

	Notes	Share Capital	Accumulated Losses	Share Option Reserve	Foreign Currency Translation Reserve	Total Equity
Group – 30 September 2020		$'000	$'000	$'000	$'000	$'000
Balance 1 April 2020		40,786	(16,289)	323	(1,355)	23,465
Loss for the half-year		-	(2,497)	-	-	(2,497)
Currency translation differences		-	-	-	537	537
Total comprehensive income for the half-year		**-**	**(2,497)**	**-**	**537**	**(1,960)**
Transactions with owners in their capacity as owners						
Issue of share capital		25	-	-	-	25
Share capital issue expenses		(38)	-	-	-	(38)
Share option cost expensed		-	-	57	-	57
Balance 30 September 2020		**40,773**	**(18,786)**	**380**	**(818)**	**21,549**
Group – 30 September 2019						
Balance 1 April 2019		40,123	(13,767)	232	(177)	26,411
Loss for the half-year		-	(198)	-	-	(198)
Currency translation differences		-	-	-	(602)	(602)
Total comprehensive income for the half-year		-	**(198)**	-	**(602)**	**(800)**
Transactions with owners in their capacity as owners						
Issue of share capital		556	-	-	-	556
Share option cost expensed		-	-	46	-	46
Balance 30 September 2019		**40,679**	**(13,965)**	**278**	**(779)**	**26,213**

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

Consolidated Statement of Financial Position
As at 30 September 2020

	Notes	30 September 2020 $'000	31 March 2020 $'000
Current Assets			
Cash and cash equivalents		7,735	11,228
Trade receivables		4,872	5,854
Other assets and prepayments		2,027	1,518
Total Current Assets		**14,634**	**18,600**
Non-current Assets			
Intangible assets	6	13,195	13,391
Plant and equipment		246	289
Right-of-use assets		847	1,049
Total Non-current Assets		**14,288**	**14,729**
Total Assets		**28,922**	**33,329**
Current Liabilities			
Trade payables		1,828	682
Sundry creditors and accruals		2,234	3,718
Employee provisions		497	529
Deferred consideration liabilities		-	561
Contingent consideration liabilities	7	816	1,419
Lease liabilities		371	402
Total Current Liabilities		**5,746**	**7,311**
Non-current Liabilities			
Contingent consideration liabilities	7	268	872
Lease liabilities		595	738
Deferred tax liability		764	943
Total Non-current Liabilities		**1,627**	**2,553**
Total Liabilities		**7,373**	**9,864**
NET ASSETS		**21,549**	**23,465**
Equity			
Share capital		40,773	40,786
Foreign currency translation reserve		(818)	(1,355)
Share option reserve		380	323
Accumulated losses		(18,786)	(16,289)
TOTAL EQUITY		**21,549**	**23,465**

Approved for and on behalf of the Board of Directors on 25 November 2020

DIRECTOR

DIRECTOR

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

Consolidated Statement of Cash Flows
For the half-year ended 30 September 2020

	Notes	For the half-year ended 30 September 2020 $'000	For the half-year ended 30 September 2019 $'000
Cash flows from operating activities			
Receipts from customers		14,725	13,327
Government grants received		371	-
Interest received		13	41
Payments for acquisition and integration costs		(165)	(482)
Payments to suppliers and employees		(15,316)	(14,363)
Net cash used in operating activities		(372)	(1,477)
Cash flows from investing activities			
Proceeds from sale of plant and equipment		-	10
Payments for capitalised software development	6	(630)	(571)
Payments for plant and equipment		(39)	(139)
Payments for acquisition of subsidiaries, net of cash acquired		-	(1,266)
Net cash used in investing activities		(669)	(1,966)
Cash flows from financing activities			
Proceeds from issue of shares		25	47
Cost of share issue		(38)	(9)
IPO related costs		-	(162)
Lease liability payments		(260)	(266)
Payment of contingent consideration		(1,907)	(636)
Net cash from financing activities		(2,180)	(1,026)
Net decrease in cash and cash equivalents		(3,221)	(4,469)
Effect of exchange rate on foreign currency balances		(272)	761
Cash and cash equivalents at start of the period (1 April)		11,228	17,669
Cash and cash equivalents at end of the period		**7,735**	**13,961**

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

Notes to and forming part of the Condensed Financial Report
For the half-year ended 30 September 2020

1. BASIS OF PREPARATION

These condensed interim consolidated financial statements of Straker Translations Limited (the "Company") and its subsidiaries (together the "Group") for the half-year ended 30 September 2020 have been prepared in accordance with the requirements of NZ IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the audited 2020 Annual Report. For the purposes of complying with generally accepted accounting practice in New Zealand, the Group is a for-profit entity.

The condensed interim consolidated financial statements are presented in New Zealand dollars, rounded to the nearest thousand.

The Company is registered in New Zealand under the Companies Act 1993 and listed on the Australian Stock Exchange. The Company is domiciled in New Zealand.

The unaudited condensed interim consolidated financial statements for the Group for the six months ended 30 September 2020 were authorised for issue on 25 November 2020 by the Board of Directors.

There is no effect of seasonality or cyclicality of interim operations.

a) Accounting policies

The preparation of condensed interim consolidated financial statements in compliance with NZ IAS 34 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in Note 1 c).

Straker Translations Limited has applied the same accounting policies and methods of computation in its condensed interim consolidated financial statements as in its 2020 annual financial statements.

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except as noted in the accounting policies to the 2020 Annual Report.

b) New standards, interpretations and amendments effective from 1 April 2020

There are no new financial reporting standards to be applied for the first time in these financial statements.

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.

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

i) COVID-19 pandemic

In December 2019, a new virus, COVID-19 was detected in Wuhan, China. The virus was soon common in other countries and on 11 March 2020 the World Health Organization declared that the outbreak should be considered a pandemic

The result of this pandemic has been a substantial reduction in economic activity throughout the world, as governments have introduced measures (such as the closure of national borders, the closure of non-essential businesses, the cancellation of public events and the imposition of restrictions on individuals) in an attempt to reduce transmission of the virus.

In late March 2020, the New Zealand Government ordered a four-week lockdown, during which non-essential businesses and organisations were not allowed to operate and individuals (other than essential workers or those undertaking essential business) were required to stay at home. In late April 2020, the New Zealand Government gradually started easing those restrictions. Parts of New Zealand have operated at varying levels of lockdown in the intervening months.

Notes to and forming part of the Condensed Financial Report
For the half-year ended 30 September 2020

continued

The other jurisdictions where the Group operates remain subject to varying degrees of lockdown conditions through to November 2020.

During the various COVID-19 lockdown periods the Group was able to operate, however sales orders were impacted to a degree as the Group has experienced reduced demand in some markets due to the overall reduction in economic activity caused by the COVID-19 pandemic. This has resulted in lower revenue in some markets. An assessment of the impact of COVID-19 on the Group's financial statements has been set out below. This assessment is based on information available at the time of preparing these financial statements.

Financial statement area	Summary of COVID-19 impacts	Note for more information
Accounts receivable	The impairment provision has increased $0.085m in the current year. Of this, $0.060m is due to changed expectations regarding counterparties because of COVID-19.	
Goodwill	The goodwill balance of $7.815m at 30 September 2020 was subject to an impairment test in accordance with NZ IAS 36 *Impairment of Assets*. Indicators of impairment were identified in respect of the Eurotext Translations and Straker Germany (Eule) cash generating units ("CGU"). A value in use calculation was performed for each CGU. The cash flow projections used in the value in use calculations are based on management's forecasts for the year ending 31 March 2021, adjusted for the expected impact of COVID-19, which provides for some decline on forecast revenue. No cash generating units have been impaired.	Note 6
Contingent consideration liabilities	The Group's contingent consideration liabilities of $1.084m at 30 September 2020 were subject to re-measurement at the reporting date. The COVID-19 pandemic has impacted revenue and customer demand, and the consideration payable in the future is contingent on future revenue performance over two 1-year earn out periods. Management has recognised an additional contingent consideration amount at 30 September 2020, as actual revenue for the period exceeded the revenue forecasts made at 31 March 2020, which were based on limited information in relation to historical trading and the uncertainty in relation to impact of COVID-19. The revisions to the revenue forecasts have been adjusted for management's best estimation of the impact of COVID-19 on revenue and customer demand.	Note 7

To date the Group has undertaken the following steps to reduce the impact of COVID-19 on its operations:

- Reduced expenditure in non-critical business areas
- Taken advantage of wage subsidies made available in New Zealand, Ireland and Japan
- Deferred its merger and acquisition strategy while remaining vigilant for opportunities
- Management and staff agreed to reduced working hours and or salaries during the first quarter of FY21
- Management have reviewed staffing levels and are making cost saving adjustments where necessary
- Travel has been curtailed for the period

Although the Group has been impacted by COVID-19, the directors have concluded that the Group will be able to continue operating for at least 12 months from the date of signing these financial statements. That conclusion has been reached because:

- The Group exceeded its forecast revenue target for the period and has increased forecast revenues for the remainder of the year from existing customers and significant new contracts
- The Group has substantial cash reserves to meet its payment obligations
- The Group can further reduce expenditure if it becomes necessary to do so
- Demand for translation services has held up well in most markets despite some decline

Notes to and forming part of the Condensed Financial Report
For the half-year ended 30 September 2020

continued

2. SEGMENT REPORTING

The Group provides translation services to its customers.

The Group's operating segments are each of the Company and its subsidiaries, and these are grouped as territories by geographical region as reportable segments as there are regional managers responsible for the performance of the Group entities within their territories. The geographical regions are Asia Pacific (APAC), Europe, Middle East and Africa (EMEA) and North America (NAM).

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the management team including the Board of Directors, Chief Executive Officer, Chief Operating Officer and the Chief Financial Officer.

Segment financial performance is evaluated based on profit or loss and is measured consistently with profit or loss in the condensed interim consolidated financial statements.

Inter-segment sales are minimal.

Reports provided to the chief operating decision maker do not identify assets and liabilities per segment. Assets and liabilities are instead presented on a consolidated basis as they are throughout this half-year report. Also, the Group's financing (including finance costs and finance income), amortisation of intangible assets, acquisition and integration costs and income taxes are managed on a Group basis and are not provided to the chief operating decision makers at the operating segment level.

Half-year ended 30 September 2020	**APAC $'000**	**EMEA $'000**	**NAM $'000**	**TOTAL $'000**
Revenue				
Total revenue from external customers	3,656	7,598	3,551	14,805
Other income	360	55	-	415
Total income	4,016	7,653	3,551	15,220
Cost of sales, Selling and distribution and Administration expenses	(4,278)	(8,242)	(3,654)	(16,174)
Segment contribution	**(262)**	**(589)**	**(103)**	**(954)**

Half-year ended 30 September 2019				
Revenue				
Total revenue from external customers	1,640	8,241	3,705	13,586
Other income	27	-	-	27
Total income	1,667	8,241	3,705	13,613
Cost of sales, Selling and distribution and Administration expenses	(2,181)	(8,610)	(3,954)	(14,745)
Segment contribution	**(514)**	**(369)**	**(249)**	**(1,132)**

Reconciliation from segment contribution to loss before tax	**For the half-year ended 30 September 2020 $'000**	**For the half-year ended 30 September 2019 $'000**
Segment contribution	(954)	(1,132)
Amortisation of acquired intangibles	(644)	(442)
Acquisition and integration costs	(165)	(468)
Net finance (expense)/income	(842)	1,782
Loss before income tax	**(2,605)**	**(260)**

Notes to and forming part of the Condensed Financial Report
For the half-year ended 30 September 2020

continued

3. REVENUE

Disaggregation of the Group's revenue from contracts with customers is set out in Note 2 and below:

Types of goods and services

	For the half-year ended 30 September 2020 $'000	For the half-year ended 30 September 2019 $'000
Translation services	14,805	13,586

The Group's revenue is derived from translation services. The timing of the Group's recognition of translation services revenue is over time on a percentage of completion basis. The Group is able to recognise revenue on a percentage of completion basis due to the product being created having no alternative use for the Group and the Group has an enforceable right to remuneration for the work completed up to that stage. The Group's performance obligations towards customers, in the majority of the Group's contracts, are for the provision of translations and edit services as a single item.

Translation income invoices for services not yet performed are deferred as a contract liability in Sundry creditors and accruals on the Statement of Financial Position until the percentage of completion of services is sufficient to ensure it is probable that economic benefits will flow to the Group. Contract liability at 30 September 2020 was NZD $nil (31 March 2020: NZD $0.6m).

Translation income determined to be earned but not yet invoiced is accrued as a contract asset and recorded under current assets on the Statement of Financial Position when it is probable that economic benefits will flow to the Group. Contract asset at 30 September 2020 was NZD $1.44m (31 March 2020: NZD $1.07m).

4. OTHER INCOME

Government grant income	371	-
Miscellaneous income	44	27
	415	27

The Group received government grant income in the current period. Government grants are not recognised until there is reasonable assurance that:
(a) the entity will comply with the conditions attaching to them and
(b) the grants will be received.

When the recognition criteria are met, government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. When the recognition criteria are met, a government grant that becomes receivable as compensation for expenses or losses already incurred, or for the purpose of giving immediate financial support to the entity with no future related costs, is recognised in profit or loss in the period in which it becomes receivable.

The purpose of the New Zealand Government wage subsidy received in the year was to assist a business to meet wage costs over a specific calendar period. The grant income was therefore recognised as the wage and salary costs that were being subsidised were recognised. Consequently, when the wage subsidy was received, it was initially recognised as a liability and then recognised as income. The liability has been extinguished in the current period.

Notes to and forming part of the Condensed Financial Report
For the half-year ended 30 September 2020

continued

5. BUSINESS COMBINATION COMPLETED IN PRIOR PERIOD

The New Zealand Translation Centre Limited "NZTC"

During the prior year, the Group acquired subsidiary company, The New Zealand Translation Centre Limited ("NZTC") effective from 1 February 2020.

NZTC is a provider of translation services and the acquisition was made as part of the growth strategy of the Group. The goodwill for the acquisition reflects intangible assets which do not qualify for separate recognition and include synergies expected.

As disclosed in the 2020 Annual Report, the value of the identifiable net assets of the subsidiary company had only been determined on a provisional basis as the Group were still obtaining historical information in respect of customers acquired. 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 provisional fair value.

The Group at 31 March 2020 made a provisional estimate of the customer relationship asset in relation to the business combination. This is unchanged at 30 September 2020. The final valuation of any separately identifiable intangible assets, including customer relationships, will be determined by an independent valuer, by 1 February 2021.

There have been no changes to the fair value of the identifiable net assets, other than the fair value of contingent consideration liability (Note 7) and the subsequent change to goodwill. The Group has passed provisional entries to reflect the estimated values at the reporting date.

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

Provisional fair value of assets and liabilities acquired	**NZTC** **$'000**
Cash	(33)
Debtors and other receivables	732
Property, plant & equipment	24
Intangible assets – customer relationship	390
Creditors and accruals	(513)
Deferred tax liability	(109)
Term debt	(591)
Total net liabilities	**(100)**
Cash paid	171
Shares in Straker Translations Limited	89
Fair value of contingent consideration liability on acquisition (restated)	770
Total consideration (restated)	**1,030**
Provisional goodwill (restated)	**1,130**

Notes to and forming part of the Condensed Financial Report
For the half-year ended 30 September 2020

continued

6. INTANGIBLE ASSETS

At 30 September 2020	Capitalised Development Software $'000	Computer Software $'000	Customer Relationship Asset $'000	Goodwill $'000	Total $'000
Cost					
Opening balance at 1 April 2020	3,444	320	5,673	8,389	17,826
Additions	630	-	-	225	855
At 30 September 2020	4,074	320	5,673	8,614	18,681
Amortisation & impairment					
Opening balance at 1 April 2020	(1,140)	(192)	(2,304)	(799)	(4,435)
Charge recognised in statement of comprehensive income	(307)	(103)	(641)	-	(1,051)
At 30 September 2020	(1,447)	(295)	(2,945)	(799)	(5,486)
Net book value					
At 30 September 2020	2,627	25	2,728	7,815	13,195
At 31 March 2020					
Cost					
Opening balance at 1 April 2019	2,252	281	4,014	5,964	12,511
Acquired as part of a business combination	-	31	1,659	2,425	4,115
Additions	1,192	8	-	-	1,200
At 31 March 2020	3,444	320	5,673	8,389	17,826
Amortisation & impairment					
Opening balance at 1 April 2019	(623)	(124)	(1,149)	-	(1,896)
Charge recognised in statement of comprehensive income	(517)	(68)	(1,155)	-	(1,740)
Impairment	-	-	-	(799)	(799)
At 31 March 2020	(1,140)	(192)	(2,304)	(799)	(4,435)
Net book value					
At 31 March 2020	2,304	128	3,369	7,590	13,391

Notes to and forming part of the Condensed Financial Report
For the half-year ended 30 September 2020

continued

7. CONTINGENT CONSIDERATION

	30 September 2020 $'000	31 March 2020 $'000
Due within one year	816	1,419
Due after more than one year	268	872
Total	1,084	2,291

NZTC

In relation to the acquisition, contingent consideration payments amounting to NZD $0.28m were made during the current period after the successful achievement of revenue targets. A further contingent consideration liability of NZD $0.225m is payable upon the successful achievement of revenue and margin targets on 31 March 2021. This contingent consideration liability was not recognised as at 31 March 2020 as the Group did not have sufficient certainty the revenue required would be achieved due to the forecast impact of the COVID-19 pandemic on the subsidiary's revenues.
This contingent consideration liability was subsequently restated as at 30 September 2020 due to more information becoming available as to the ability of NZTC to reach its revenue forecasts. As this information was received within the measurement period, the liability has been recognised as part of the provisional business combination accounting as at 30 September 2020 as outlined in Note 5.

A further contingent consideration earn out liability of NZD $0.3m is payable upon the successful achievement of revenue and margin targets on 31 March 2022.
The maximum earn out liability of NZD $0.3m has been recognised. This is unchanged from 31 March 2020.

On-Global

In relation to the acquisition, contingent consideration payments amounting to Euro €0.25m were made during the current period after the successful achievement of revenue targets. A further contingent consideration liability of Euro €0.25m is payable upon the successful achievement of revenue targets on 13 June 2021.

This is consistent with the position taken as at 31 March 2020.

Straker Media Spain SL
(previously COM Translations Online SL – "COM")

In relation to the acquisition, contingent consideration payments amounting to Euro €0.312m were made during the current period after the successful achievement of revenue targets. A further contingent consideration liability of €0.1m is payable upon the successful achievement of revenue targets on 28 February 2021. This contingent consideration liability of €0.1m has been recognised based on forecast revenues. This is unchanged from 31 March 2020.

Notes to and forming part of the Financial Report
For the half-year ended 30 September 2020

continued

8. EARNINGS PER SHARE

Earnings per share has been calculated based on shares and share options issued at the respective measurement dates.

	For the half-year ended 30 September 2020 $'000	For the half-year ended 30 September 2019 $'000
Numerator		
Loss for the half-year after tax ("N")	(2,497)	(198)
Denominator	**'000**	**'000**
Weighted average number of ordinary shares used in basic EPS ("D1")	53,114	52,744
Effects of:		
Employee share options	1,201	2,256
Period end number of shares used in diluted EPS ("D2")	54,344	55,235
	Cents	**Cents**
Basic earnings per share (N/D1 x 100)	(4.70)	(0.38)
Diluted earnings per share (N/D2 x 100)	(4.59)	(0.36)

9. EVENTS AFTER THE REPORTING PERIOD

Other than the ongoing impact of COVID-19, as disclosed in Note 1, there were no reported significant events between balance sheet date and the date this interim financial report was authorised for issue.

10. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial statements.

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

	30 September 2020 $'000	31 March 2020 $'000
Level 3		
Financial Liabilities		
Contingent consideration	1,084	2,291

Details of the contingent consideration liability have been provided in Note 7.

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

Quantitative information on significant unobservable inputs – Level 3

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

The fair value of the Level 3 contingent consideration liability has been determined with reference to unobservable inputs and cost of debt of 6.4%.

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

Sensitivity analysis to significant changes in unobservable inputs – Level 3

A -10% change in the forecast revenue input has a -$0.13m reducing effect on the fair value of the contingent consideration liability which would be recognised as a fair value gain through profit or loss.

A +10% change in the forecast revenue has a $0.175m addition effect on the fair value of the contingent consideration liability which would be recognised as a fair value loss through profit or loss.

Company Directory
for the half-year ended 30 September 2020

Company Numbers	1008867 NZBN: 942 903 739 6718 ARBN: 628 707 399
Registered office	*New Zealand* Level 2, Building 3 Rosedale 61 Constellation Drive Auckland *Australia* C/o Boardroom Pty Limited Level 12 225 George Street Sydney NSW 2000
Head Office Address and Principal Place of Business	Level 2, Building 3 61 Constellation Drive Rosedale Auckland 0632 New Zealand
Directors	Phil Norman (Chair) Grant Straker (Managing Director and Chief Executive Officer) Steve Donovan Amanda Cribb (appointed 20th July 2020) Tim Williams Paul Wilson
Company Secretary	Laura Newell Boardroom Pty Limited Level 12 Grosvenor Place 225 George Street Sydney, NSW 2000 Australia Phone: +61 2 9290 9600 www.boardroomlimited.com.au
Auditor	BDO Auckland Level 4 4 Graham Street Auckland 1010 New Zealand Phone: +64 9 379 2950 www.bdo.nz
Lawyers	Bell Gully Level 21 ANZ Centre 171 Featherston Street Wellington 6140 New Zealand Phone: +64 4 915 6800 www.bellgully.com Talbot Sayer Level 27 Riverside Centre 123 Eagle Street Brisbane Queensland 4001 Australia Phone: +61 7 3160 2900 www.talbotsayer.com.au
Bankers	ANZ Bank Bank of New Zealand National Australia Bank
Share Registrar	Link Market Services Limited Level 12 680 George Street Sydney, NSW 2000 Australia Phone: +61 2 8280 7100 www.linkmarketservices.com.au
Stock Exchange	Straker's shares are listed on the Australian Securities Exchange (ASX code: STG)
Company website	www.strakertranslations.com

Investor Calendar

Quarterly Cash Flow Report	January 2021
Financial Year End	31 March 2021
Annual Results Announcement	May 2021