



STRAKER INTERIM REPORT 2020



ASX:STG

STRAKER TRANSLATIONS GROUP

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



Contents

What we do	3
Highlights	4
Strategy to deliver growth	5
Advantage through proprietary RAY platform	6
Chairman's Review	7 - 9
IFRS to Non-IFRS Reconciliation	10
Financial Statements	11 - 28
Company Directory	29

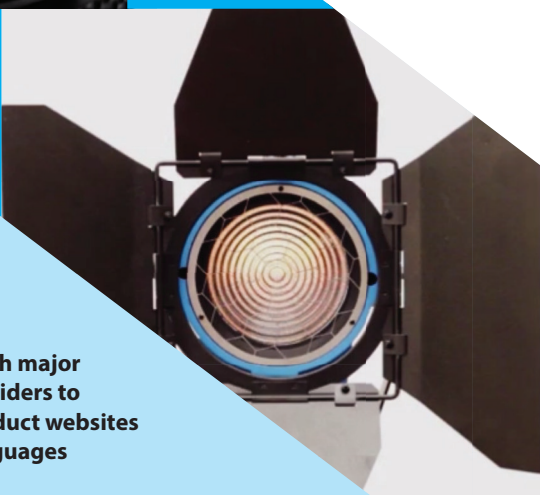
What we do



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

13.3%

YOY revenue
growth

(\$0.24m)

Adjusted
EBITDA¹

28%

Repeat revenue
growth

\$14m

Cash at bank

92%

Revenues from repeat
customers

1. Adjusted EBITDA is a non-IFRS measure.
Refer to pages 10 for reconciliation and explanation to
IFRS financial information

Strategy to deliver growth

Industry Overview

The translation industry continues to evolve as technology plays an increasingly important part in the localisation process. Companies like Straker now “lead the pack” providing innovation that larger, traditional suppliers cannot match.

As a smaller but rapidly growing company, innovation is the foundation of Straker’s competitive advantage and enables Straker to capture market opportunities quickly.

There is now a significant “trouble zone” in the translation industry where many industry participants that are neither large nor innovative lack the resources to break free from this “trouble zone”. These companies typically have long-term relationships with customers, but such customers are now looking for alternative, more innovative solutions that embrace the use of Ai and process automation.

Developing an innovation-led product takes time and Straker has over many years evolved its market-leading proprietary Ai RAY technology platform that underpins its offering, allowing the Company to disrupt the translation market. Netflix is a good analogy of how an innovative player has disrupted the media industry with its online content streaming service and Straker is now well positioned to disrupt the translation industry through its use of Ai and machine learning. Over time, Straker has also accumulated a massive quantity of language pairs – intellectual property that is highly valuable, making the Company more capable than most of its competitors in the language localisation area.

Acquisition Rationale

In a highly fragmented translation industry, there are many companies in the “trouble zone” with strong customer relationships. These companies present a substantial acquisition opportunity for Straker.

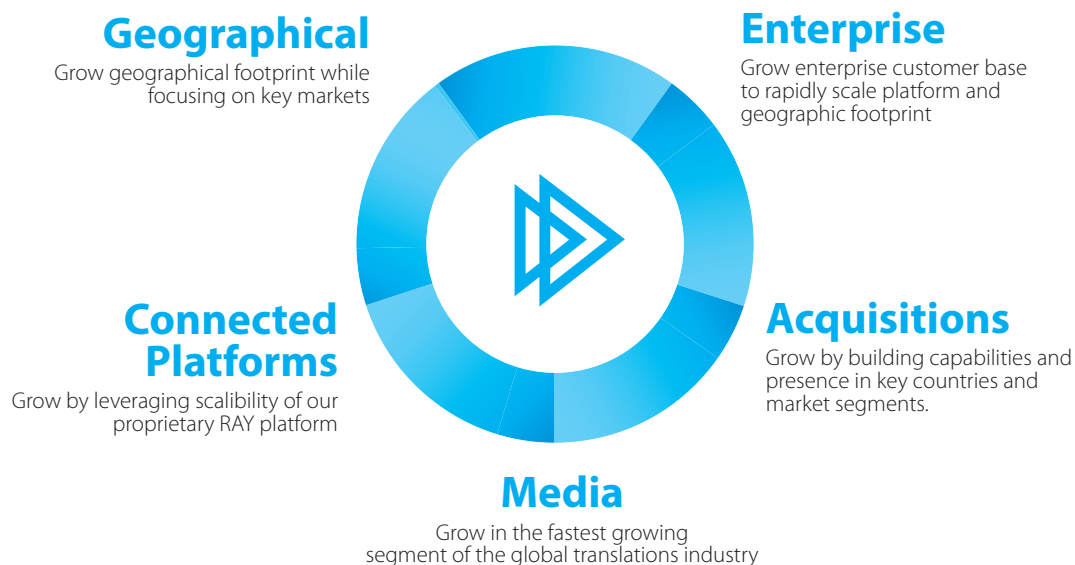
Securing new customer relationships via acquisitions is frequently easier than developing these relationships via organic sales activity and, once acquired, Straker can offer these customers more innovative solutions that will provide productivity improvements and expansion opportunities.

For Straker, acquisitions provide an opportunity to scale its operations globally and generate operating leverage as acquired entities are migrated onto the Company’s proprietary Ai RAY technology platform.

Media Spotlight

The huge explosion in the streaming of media content and the need for this content to be delivered to global audiences is driving significant growth in the media translation industry. As with its translation services model, Straker believes that the winners in media localisation will be those companies that can innovate and then build scale, rather than companies that just build scale using traditional approaches. Straker has made a significant innovation investment in the media area and in September 2019 released its Ai RAY media platform, which offers sophisticated, industry specific services to the media industry.

To give our innovation scale we are working on five strategic areas of focus:



Advantage through proprietary Ai RAY platform

One of the keys to Straker's success has been its focus on the way technology would impact the translation industry and how, ultimately, the mix of machines and humans would speed up the translation process and still produce the same quality outcomes as humans alone.

To reach that goal, Straker needed to develop a world-leading technology platform that would allow humans and machines to work together in the most effective way to allow big data assets to be collected so they could be used to further train the machines.

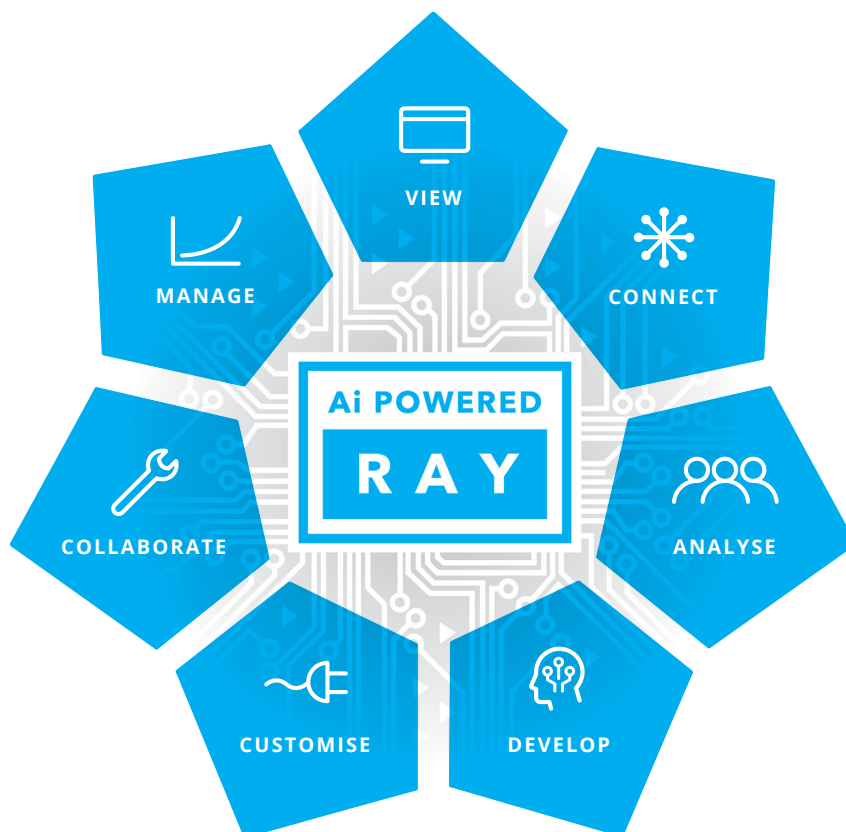
Straker also needed to build a technology platform that could automate the process of getting content into and out of the system and make it extendable so that custom on-ramps for customers could be built.

The Company's proprietary Ai RAY technology platform does all of this and more, making it one of the most comprehensive translation platforms available. This provides Straker with the ability to offer its unique data-driven approach to translation.

The proprietary Ai RAY platform allows Straker to operate a single global team all concurrently working on the same system. This provides operating efficiency and allows the Company to acquire new businesses and still retain a "one team, one platform" approach across all its offices.

There is huge potential in the media localisation market and demand has, in the past, created production bottlenecks. As a result, Straker has developed its RAY media platform to enable more automation of the media localisation process, which will allow much greater throughput of work without the need to add more people across the organisation.

Straker has recently partnered with AppTek, a leading provider of machine learning and automated speech-to-text recognition software. Integration of AppTek's software into Straker's Ai RAY technology platform is well under way and will be completed by the end of this year. Along with the other advances being made to the Company's RAY media platform, this AppTek integration will allow Straker to offer the media localisation industry a world-leading, fast, simple and scalable service.



Chairman's Review

Based in New Zealand, Straker has established itself as a leading global technology driven translation services platform. The Company has developed a hybrid translation platform that utilises a combination of machine learning/artificial intelligence (Ai) and a crowd-sourced pool of freelance translators.

Straker's cloud-based platform manages the end-to-end translation process, leveraging machine translation/Ai technology (comprising both third-party owned engines and engines within Straker's platform) to create a first draft translation and subsequently matching the customer's content with one or more of approximately 13,000 crowd-sourced human freelance translators around the world for refinement. This process is managed using Straker's proprietary Ai RAY translation platform, which has been developed over eight years and is an enterprise grade, end-to-end, cloud-based platform. By leveraging machine translation and its big data assets, the Ai RAY translation platform enables the delivery of faster and more accurate translations, lowering the time and cost to deliver versus traditional translation services.

The platform can be integrated directly into customers' systems and consists of a customer dashboard, machine translation integration and modules for assisting and managing translators.

Financial Performance	6 Months Sep 2019 \$NZ'000s	6 Months Sep 2018 \$NZ'000s	Change \$NZ'000s	Change %
Translation Revenue	13,586	11,991	1,595	13%
Gross Margin	7,392	6,628	764	12%
Gross Margin %	54.4%	55.3%	(0.9%)	(1.6%)
Operating costs ¹	(7,662)	(6,522)	(1,140)	17%
Adjusted EBITDA ¹	(244)	110	(354)	(322%)
EBIT ¹	(2,042)	(792)	(1,250)	(158%)
PBT	(260)	(243)	(17)	(7.0%)
Staff (FTE's)	149	122	27	22%

	30 Sep 2019	31 Mar 2019	Change	Change %
Cash at Bank	13,961	17,669	(3,708)	(21%)

Revenues for the first half of this financial year (H1 FY20) were \$NZ13.6 million, compared to \$NZ12.0 million in H1 FY19; a 13.3% year-on-year growth. This increase in revenues reflects the Company's increasing emphasis on Enterprise customers³ to drive long-term growth as well as the addition of four months' revenue from On-Global Language Marketing SL (On-Global), acquired in June 2019, and the addition of six months' revenue from COM Translations Online SL (COM), acquired in March 2019.

Repeat revenues increased 28% year-on-year, driven by both organic growth in core business activities and acquisitions. Repeat revenues represented 92% of overall revenues in H1 FY20 compared to 81% in H1 FY19. Revenues from small (personal) customers declined during the half, as the Company transitions its focus away from a sector that continues to prove expensive to service. The decline in revenues from these customers is expected to be more than offset by the growth in revenues from Enterprise customers.

By leveraging the Company's proprietary Ai RAY technology platform, Straker continues to generate gross margins at higher than industry norms for translation services. Blended gross margin for H1 FY20 was 54.4%, which includes COM, a specialist media industry translation business. The slight reduction in gross margin from the same period last year is principally attributable to COM, which had a number of media contracts executed prior to acquisition at lower margins than the Company typically secures.

Operating costs of \$NZ7.7 million in H1 FY20 were 17% higher than H1 FY19, reflecting the increased cost contribution of the acquired businesses, the ongoing R&D investment in the Company's Ai RAY technology platform and the additional costs of being a listed company. As acquired businesses become fully integrated into Straker's operations, operational efficiencies and cost savings are expected to materialise in H2 FY20.

Chairman's Report

continued

On an adjusted EBITDA¹ basis, the Company generated a H1 FY20 loss of \$NZ(0.24) million², a decrease of \$NZ0.35 million on H1 FY19's adjusted EBITDA profit of \$NZ0.11 million. The Company generated an EBIT loss¹ of \$NZ(2.04) million for H1 FY20, a decrease of \$NZ1.25 million on H1 FY19's EBIT loss of \$NZ(0.79) million.

Business Update

The key organic growth strategy for Straker is to focus on building its Enterprise customer³ base globally.

The Company has grown its Business customers⁴ from 1,605 at the time of its IPO in October 2019, to 2,359 at the current time – an increase of 47%. These customers include many of the world's largest brands and represent an attractive opportunity to scale operations and generate increasing repeat revenue growth.

As the Enterprise translation market continues to evolve, it is apparent that larger companies are looking for relationships with vendors that can deliver translation services rapidly and at scale across multiple geographies. These Enterprise customers are also seeking sophisticated technology options, including solutions that utilise artificial intelligence (Ai), machine learning and connectivity. Such customers are also typically moving away from using multiple, small translation providers that lack the ability to offer technologically advanced solutions that are difficult to deploy and scale rapidly.

Straker is, therefore, increasingly focusing its market attention and technology resources on the Enterprise market as:

- The Company now has a very credible track record of delivery and the scale to be attractive to Enterprise customers seeking global translation partners.
- The likelihood of Enterprise customers delivering repeat revenue is high by comparison with small personal projects, which tend to be "one-off" in nature.
- Straker's proprietary Ai RAY technology platform provides the Company with a significant competitive advantage that enables it to generate gross margins above the industry norm and provide operating leverage from acquired businesses.

Over the last three years, the Company has successfully concluded a total of six European acquisitions and has demonstrated its capability to integrate these businesses into its operations. Importantly, these acquisitions have brought with them many significant Enterprise customer relationships, which will provide long-term benefits for Straker.

The acquisition of COM in March 2019 (now re-named Straker Media) has allowed the Company to enter the attractive media localisation marketplace, arguably the fastest growing segment of the global translations market, with large Enterprise customers secured as part of the acquisition transaction. In order to capitalise on the large potential of the media market segment,

the Company has invested in adding specific media localisation capability into its proprietary Ai RAY technology platform and is in the process of establishing a sales office in Los Angeles, where many of the large global media, film and television organisations are based.

The acquisition in June 2019 of European translation company, On-Global Language Marketing SL (On-Global), based in Vitoria-Gasteiz and Barcelona in Spain, further consolidated Straker's position in the Spanish language market. This most recent acquisition has annual revenues of approximately \$NZ2.9 million.

During H1 FY20, the Company undertook due diligence on a small number of new acquisition opportunities that for various reasons were not concluded. However, other acquisition opportunities remain under active review and we expect to close one of these in H2 FY20.

The Company intends to continue its acquisition programme while concurrently focusing its sales, marketing and delivery resources on securing new Enterprise customers and growing revenues from existing Enterprise customers through its global account management activities.

1 Non-IFRS financial performance measure. Refer to page 10 for a reconciliation and explanation of IFRS financial information.

2 H1 FY20 includes the effect of new accounting lease standard IFRS16, whereby \$NZ0.26 million of lease costs shift from being classified as operating costs to being classified as depreciation and finance costs. H1 FY19 comparatives do not include this change.

3 Enterprise customers are defined as large business customers that have a minimum spend of \$100k with a regular order frequency, or are strategic customers.

4 Business customers are defined as entities for whom Straker possesses business contact details and a business category for their projects.

AppTek Media Partnership

In October 2019, the Company signed an agreement with US software company, Applications Technology (AppTek). AppTek is a world-leader in next generation Ai and machine learning technologies for automatic speech recognition, neural machine translations, and natural language solutions. This partnership will integrate AppTek's technology into Straker's proprietary Ai RAY technology platform, improving the speed, automation and accuracy of the platform, and delivering enhanced commercial outcomes for customers of both AppTek and Straker.

Ai RAY Translation Platform

The Company continues to invest in its proprietary Ai RAY translation platform, which provides it with a key source of competitive advantage. During H1 FY20, enhancements have been made to the platform's core translation workbench, its

Chairman's Report

continued

connectivity with other systems, security, its scalability and its artificial intelligence capability.

The Ai RAY media platform was released in September 2019. This extension to the core platform will provide sector specific capabilities for the global media industry and the technology integration partnership with AppTek has enabled Straker to enhance the attractiveness of its offering to that market quickly.

Employees

As at 30 September 2019, Straker employed 149 staff, 57% of whom are now based in Europe. 30% of staff are based in New Zealand with the remaining 13% spread across the US and Asia. As employee numbers in offshore locations grow, the Company continues to re-define its organisational structures to ensure that appropriate leadership is in place both geographically and by function.

The gender split of staff is currently 54% female and 46% male made up of many nationalities, ethnicities and religions, which creates a rich and vibrant culture within the business.

Outlook

The Board is pleased with the progress the Company has made during H1 FY20. Year-on-year revenue growth continues and the proportion of repeat revenues that make up total revenues is increasing steadily.

The Company has a clear strategy for delivering on its growth agenda - growth that will be achieved both organically and through continued acquisition activity.

The Board would like to express its thanks to all staff for their commitment, energy, hard work and also record its appreciation to all shareholders for your support.



Phil Norman
Chairman

21 November 2019

IFRS to Non-IFRS Reconciliation

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	H1 FY20 \$'000s	H1 FY19 \$'000s	Change
Operating loss before net finance income	(2,042)	(792)	-158%
Add:			
Depreciation & amortisation	593	210	182%
Amortisation of acquired intangibles	442	212	108%
EBITDA*	(1,007)	(370)	-173%
<i>EBITDA Margin</i>	-7.4%	-3.1%	-4.3%
Acquisition & integration costs	468	412	-13%
Other non-operating costs	296	64	-365%
Adjusted EBITDA*	(244)	106	329%
<i>Adjusted EBITDA Margin</i>	-1.8%	0.9%	-2.7%

Earnings Before Interest & Tax (EBIT)	H1 FY20 \$'000s	H1 FY19 \$'000s	Change
Operating loss before net finance income	(2,042)	(792)	-158%
Add:			
Acquisition & integration costs	468	412	-13%
Other non-operating costs	296	64	-365%
Amortisation of acquired intangibles	442	212	-108%
Adjusted EBIT	(837)	(104)	-704%
<i>Adjusted EBIT Margin</i>	-6.2%	-0.9%	-5.3%

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.

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

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

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

* H1 FY20 includes the effect of new accounting lease standard IFRS16, whereby \$NZ0.26 million of lease costs shift from being classified as operating costs to being classified as depreciation and finance costs. H1 FY19 comparatives do not include this change.

Straker Translations and Group Financial Statements

FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2019

Financial Statements Contents

Independent Auditor's Review Report	13
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	14
Condensed Consolidated Statement of Changes in Equity	15
Condensed Consolidated Statement of Financial Position	16
Condensed Consolidated Statement of Cash Flows	17
Notes to and forming part of the Condensed Consolidated Financial Statements	18 - 28

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 Interim Condensed Consolidated Financial Statements

We have reviewed the accompanying interim condensed consolidated financial statements of Straker Translations Limited ("the Company") and its subsidiaries (together, "the Group") on pages 14 to 28, which comprise the statement of financial position as at 30 September 2019, 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 interim condensed 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 interim condensed consolidated financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 30 September 2019, 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
21 November 2019
Auckland
New Zealand

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the half-year ended 30 September 2019

	Notes	For the half-year ended 30 September 2019 \$'000	For the half-year ended 30 September 2018 \$'000
Revenue	3	13,586	11,991
Cost of sales (translator contractor costs)		(6,194)	(5,363)
Gross margin		7,392	6,628
Other income		27	19
		7,419	6,647
Selling and distribution expenses		(4,564)	(4,054)
Administration expenses		(3,987)	(2,761)
Loss from trading operations before amortisation of acquired intangibles and acquisition and integration costs		(1,132)	(168)
Amortisation of acquired intangibles	6	(442)	(212)
Acquisition and integration costs		(468)	(412)
Operating loss before net finance income		(2,042)	(792)
Finance income		1,816	600
Finance expense		(34)	(51)
Net finance income		1,782	549
Loss before income tax		(260)	(243)
Income tax credit		62	23
Loss for the half-year after tax		(198)	(220)
Other Comprehensive Income			
<i>Items that may be reclassified to profit or loss, net of tax</i>			
Foreign currency translation differences		(602)	(407)
Total Comprehensive Income for the half-year		(800)	(627)
Earnings per share for the period attributable to the owners of the parent during the half-year			
Basic earnings per share (cents)	10	(0.38)	(8.87)
Diluted earnings per share (cents)	10	(0.36)	(5.98)

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 2019

Notes	Share Capital	Accumulated Losses	Share Option Reserve	Foreign Currency Translation Reserve	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Group – 30 September 2019					
Balance 1 April 2018	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)
<i>Transactions with owners in their capacity as owners</i>					
Issue of share capital	556	-	-	-	556
Share option cost expensed	-	-	46	-	46
Balance 30 September 2019	40,679	(13,965)	278	(779)	26,213
Group – 30 September 2018					
Balance 1 April 2018	21,402	(9,438)	121	(30)	12,055
Loss for the half-year	-	(220)	-	-	(220)
Currency translation differences	-	-	-	(407)	(407)
Total comprehensive income for the half-year	-	(220)	-	(407)	(627)
<i>Transactions with owners in their capacity as owners</i>					
Issue of share capital	173	-	-	-	173
Share option cost expensed	-	-	21	-	21
Balance 30 September 2018	21,575	(9,658)	142	(437)	11,622

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 2019

	Notes	30 September 2019 \$'000	Restated (Note 5) 31 March 2019 \$'000
Current Assets			
Cash and cash equivalents		13,961	17,669
Trade receivables		4,807	3,908
Other assets and prepayments		1,170	1,360
Total Current Assets		19,938	22,937
Non-current Assets			
Intangible assets		12,780	10,372
Plant and equipment		284	214
Right-of-use assets		1,140	-
Total Non-current Assets		14,204	10,586
Total Assets		34,142	33,523
Current Liabilities			
Trade payables		720	718
Sundry creditors and accruals		2,778	2,847
Employee provisions		434	363
Deferred consideration liabilities		303	230
Contingent consideration liabilities	8	1,301	1,039
Lease liabilities	9	290	-
Total Current Liabilities		5,826	5,197
Non-current Liabilities			
Contingent consideration liabilities	8	553	1,114
Lease liabilities	9	871	-
Deferred tax liability		679	801
Total Non-current Liabilities		2,103	1,915
Total Liabilities		7,929	7,112
NET ASSETS		26,213	26,411
Equity			
Share capital		40,679	40,123
Foreign currency translation reserve		(779)	(177)
Share option reserve	0	278	232
Accumulated losses		(13,965)	(13,767)
TOTAL EQUITY		26,213	26,411

Approved for and on behalf of the Board of Directors on 21 November 2019



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 2019

	Notes	For the half-year ended 30 September 2019 \$'000	For the half-year ended 30 September 2018 \$'000
Cash flows from operating activities			
Receipts from customers		13,327	10,820
Interest received		6	26
Payments to suppliers and employees		(14,363)	(11,803)
Net cash used in operating activities		(995)	(957)
Cash flows from investing activities			
Proceeds from sale of plant and equipment		10	-
Payments for capitalised software development		(571)	(361)
Payments for plant and equipment		(139)	(53)
Payments for acquisition transaction costs		(482)	(259)
Payments for acquisition of subsidiaries, net of cash acquired		(1,266)	(2,158)
Net cash used in investing activities		(2,448)	(2,831)
Cash flows from financing activities			
Proceeds from issue of shares		47	-
Cost of share issue		(9)	-
IPO costs		(162)	(459)
Lease liability payments		(266)	-
Payment of contingent consideration		(636)	(27)
Net cash from financing activities		(1,026)	(486)
Net increase in cash and cash equivalents		(4,469)	(4,274)
Effect of exchange rate on foreign currency balances		761	35
Cash and cash equivalents at start of the period (1 April)		17,669	7,824
Cash and cash equivalents at end of the period		13,961	3,585

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 Financial Statements

For the half-year ended 30 September 2019

continued

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 2019 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 2019 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 2019 were authorised for issue on 21 November 2019 by the Board of Directors.

There is no effect of seasonality or cyclicity 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 2019 annual financial statements, except for those that relate to new standards that have been adopted in the current period (see note 1 b).

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except as noted in the accounting policies to the 2019 Annual Report.

b) New standards, interpretations and amendments effective from 1 April 2019

New standards, interpretations and amendments effective from 1 April 2019

One new financial reporting standard is applied for the first time in these financial statements.

- NZ IFRS 16 Leases ("NZ IFRS 16") is the new standard for the recognition, measurement, presentation and disclosure of leases.

NZ IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. NZ IFRS 16 superseded NZ IAS 17 Leases when it became effective for accounting periods beginning on or after 1 January 2019. The date of initial application of NZ IFRS 16 for the Group was 1 April 2019.

The Group has chosen the modified retrospective approach of NZ IFRS 16. Consequently, the Group has not restated the comparative information.

Refer to note 9.

c) Use of estimates and judgements

There have been no material changes to the estimates and judgements reported in the 2019 annual financial statements.

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.

Notes to and forming part of the Financial Statements For the half-year ended 30 September 2019

continued

2. SEGMENT REPORTING (continued)

Half-year ended 30 September 2019	APAC \$'000	EMEA \$'000	NAM \$'000	TOTAL \$'000
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)

Half-year ended 30 September 2018

Revenue				
Total revenue from external customers	2,054	5,585	4,352	11,991
Other income	19	-	-	19
Total income	2,073	5,585	4,352	12,010
Cost of sales, Selling and distribution and Administration expenses	(1,834)	(5,609)	(4,735)	(12,178)
Segment contribution	239	(24)	(383)	(168)

	For the half-year ended 30 September 2019 \$'000	For the half-year ended 30 September 2018 \$'000
Reconciliation from segment contribution to loss before tax		
Segment contribution	(1,132)	(168)
Amortisation of acquired intangibles	(442)	(212)
Acquisition and integration costs	(468)	(412)
Net finance income	1,782	549
Loss before income tax	(260)	(243)

Notes to and forming part of the Financial Statements

For the half-year ended 30 September 2019

continued

3. REVENUE

Set out below is the disaggregation of the Group's revenue from contracts with customers:

Types of goods and services

	For the half-year ended 30 September 2019 \$'000	For the half-year ended 30 September 2018 \$'000
Translation services	13,586	11,991

The Group's revenue is derived from translation services. The timing of the Group's recognition of translation services revenue is over time.

Translation income invoices for services not yet performed are deferred as a contract liability 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.

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.

Notes to and forming part of the Financial Statements

For the half-year ended 30 September 2019

continued

4. BUSINESS COMBINATIONS COMPLETED IN CURRENT PERIOD

During the current half-year, the Group acquired one subsidiary company, On-Global Language Marketing Services SL "On-Global".

On-Global is a provider of translation services and the acquisition was made as part of the growth strategy of the Group.

An element of the consideration is contingent on the achievement of revenue targets and are detailed in note 8.

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. The Group has assessed that there may be intangible assets not recognised by the acquiree that will require recognition as part of the business combination accounting. Valuation of any separately identifiable intangible assets, including customer relationships, will be determined by an independent valuer.

The excess of purchase price over the identifiable assets and liabilities 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.

On-Global Language Marketing Services SL "On-Global" (Spain)

On 14 June 2019 the Group obtained control of On-Global by acquisition of 100% of the share capital of the company.

On-Global is a company incorporated in Spain on 13th March 2007.

All amounts are in NZD.

Book value of assets and liabilities acquired	OnGlobal \$'000
Cash and cash equivalents	903
Debtors and other receivables	655
Plant & equipment	19
Intangible assets	31
Creditors and accruals	(573)
Total net assets	1,035
Cash paid	2,134
Issue of shares in Straker Translations Limited	503
Deferred consideration liability	43
Fair value of contingent consideration liability (note 8)	866
	3,546
Goodwill resulting from acquisition (provisional)	2,511

Goodwill is not expected to be tax deductible.

The revenue and profit included in profit and loss since acquisition is shown below:

	OnGlobal \$'000
Revenue since date of acquisition	943
Profit before tax since date of acquisition	102
If the acquisition date for this business combination had been 1 April 2019, the pro forma revenue and profit for each would have been:	
Pro forma revenue for half-year	1,460
Profit before tax since date of acquisition	187

A liability is recognised for contingent future earn out payments. This is detailed in note 8.

Notes to and forming part of the Financial Statements For the half-year ended 30 September 2019

continued

5. BUSINESS COMBINATIONS COMPLETED IN PRIOR PERIOD

Straker Media SL "COM" (Spain)

During the prior year, the Group acquired subsidiary company, Straker Media SL (previously Com Translations Online SL – "COM"). On 1 March 2019 the Group obtained control of COM by acquisition of 100% of the share capital of the company.

COM 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 2019 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. There have been no changes to the fair value of the identifiable net assets, other than the fair value of customer list intangible assets and associated deferred tax liabilities, and the subsequent change to goodwill. The Group has passed provisional entries to reflect the known values at the reporting date and will finalise the position before the next Annual Report as at 31 March 2020.

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

COM	Book value \$'000	Restated adjustment \$'000	Restated fair value \$'000
Cash	-	-	-
Debtors and other receivables	227	-	227
Property, plant & equipment	33	-	33
Intangible assets	12	-	12
Creditors and accruals	(483)	-	(483)
Term debt	(408)	-	(408)
Customer relationship asset	-	427	427
Deferred tax liability	-	(120)	(120)
Total net assets	(619)	307	(312)
Cash paid (NZD)			33
Fair value of deferred consideration liability on acquisition (Note 14)			433
Total consideration transferred			466
Goodwill (restated)			778

The 2019 comparatives have been restated in these financial statements to include the effect of the adjustments noted.

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 2018. 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 combination.

Notes to and forming part of the Financial Statements

For the half-year ended 30 September 2019

continued

6. INTANGIBLE ASSETS

At 30 September 2019	Capitalised Development Software \$'000	Computer Software \$'000	Customer Relationship Asset \$'000	Goodwill \$'000	Total \$'000
Cost					
Opening balance	2,252	281	4,014	5,721	12,268
Acquired as part of business combination (refer to note 4)	-	31	-	2,511	2,542
Additions	571	26	-	-	597
Impairment	-	-	-	-	-
At 30 September 2019	2,823	338	4,014	8,232	15,407
Amortisation					
Opening balance	(623)	(124)	(1,149)	-	(1,896)
Charge recognised in statement of comprehensive income	(232)	(57)	(442)	-	(731)
At 30 September 2019	(855)	(181)	(1,591)	-	(2,627)
Net book value					
At 30 September 2019	1,968	157	2,423	8,232	12,780
At 31 March 2019 (restated)					
Cost (restated)					
Opening balance	1,521	162	2,052	2,218	5,953
Acquired as part of a business combination (restated, note 5)	-	108	1,962	3,503	5,573
Additions	740	11	-	-	751
Impairment	(9)	-	-	-	(9)
At 31 March 2019	2,252	281	4,014	5,721	12,268
Amortisation					
Opening balance	(290)	(76)	(467)	-	(833)
Charge recognised in statement of comprehensive income	(333)	(48)	(682)	-	(1,063)
At 31 March 2019	(623)	(124)	(1,149)	-	(1,896)
Net book value					
At 31 March 2019 (restated)	1,629	157	2,865	5,721	10,372

Notes to and forming part of the Financial Statements

For the half-year ended 30 September 2019

continued

7. RIGHT-OF-USE ASSETS

	Property \$'000	Motor vehicles \$'000	Total \$'000
At 1 April 2019	1,132	-	1,132
Additions	229	32	261
Amortisation	(246)	(7)	(253)
At 30 September 2019	1,115	25	1,140

8. CONTINGENT CONSIDERATION

	30 September 2019 \$'000	31 March 2019 \$'000
Due within one year	1,301	1,039
Due after more than one year	553	1,114
Total	1,854	2,153
Movement during the year		
Opening balance	2,153	1,001
On acquisition (note 4)	866	2,619
Paid in year	(636)	(1,151)
Gain on fair value to profit or loss (finance income)	(599)	(423)
Unwinding of imputed interest on deferred consideration	70	107
Closing balance	1,854	2,153

On-Global

In relation to the acquisition, a contingent earn out liability of Euro €0.25m is payable upon the successful achievement of revenue targets on 13 June 2020 and 13 June 2021. The maximum contingent earn out liability of €0.5m has been accrued, is payable in EUR (€) and has been discounted based on the Group's incremental borrowing rate and the number of years remaining under the earn out period.

The liability has been translated to NZD at the year-end spot exchange rate.

Straker Media Spain SL

(previously COM Translations Online SL – "COM")

In relation to the acquisition of COM in the financial year ended 31 March 2019, an earn out liability of €0.3m is payable upon the successful achievement of revenue targets on 31 March 2020. A further earn out liability of €0.182m is payable upon the expected successful achievement of revenue targets on 31 March 2021. A contingent consideration liability of €0.176m and €0.89m, respectively, has been recognised based on the expected achievement of revenue targets. The calculation is based on the revenue forecast for the year to 31 March 2020 and to 31 March 2021, is payable in EUR and has been discounted based on the Group's incremental borrowing rate and the number of years remaining under the earn out period.

Notes to and forming part of the Financial Statements For the half-year ended 30 September 2019

continued

8. CONTINGENT CONSIDERATION AND DEFERRED CONSIDERATION LIABILITIES (continued)

The Group has an unrecognised contingent liability of an additional €0.217m should Com achieves its full revenue targets and the earn out becomes payable.

The liability has been translated to NZD at the year-end spot exchange rate.

Eule Lokalisierung GmbH ("Eule")

In relation to the acquisition of Eule Lokalisierung GmbH in the financial year ended 31 March 2019, a maximum contingent earn out liability of €0.257m is payable upon the successful achievement of revenue targets on 30 June 2020. An earn out liability of €0.1m has been accrued as the Group considers it improbable that the revenue required for the maximum earn out will be achieved. The earn out liability is payable in Euro (€) and has been discounted based on the Group's incremental borrowing rate and the number of years remaining under the earn out period.

The liability has been translated to NZD at the year-end spot exchange rate.

Management System Solutions SL ("MSS")

In relation to the acquisition of MSS in the financial year ended 31 March 2019, a contingent earn out liability of €0.348m is payable upon the forecast achievement of revenue targets on 1 June 2020. The calculation is based on; the potential revenue forecast for the year to 31 May 2020, is payable in EUR and has been discounted based on the Group's incremental borrowing rate and the number of years remaining under the earn out period.

The liability has been translated to NZD at the year-end spot exchange rate.

9. LEASE LIABILITIES

	Property \$'000	Motor vehicles \$'000	Total \$'000
At 1 April 2019	1,132	-	1,132
Additions	229	32	261
Interest expense	32	1	33
Lease payments	(257)	(8)	(265)
At 30 September 2019	1,136	25	1,161

NZ IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has the right to obtain substantially all of the economic benefits from the use of an identified asset and the right to direct the use of that asset.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they are dependent on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

Notes to and forming part of the Financial Statements For the half-year ended 30 September 2019

continued

9. LEASE LIABILITIES (CONTINUED)

On initial recognition, the carrying value of the lease liability may also include:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to exercise that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy

- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount

- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the Group to use an identified asset and require services to be provided to the Group by the lessor, the Group has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

Nature of leasing activities (in the capacity as lessee)

The Group leases a number of properties in the jurisdictions in which it operates. In some jurisdictions it is customary for lease contracts to provide for payments to increase each year by inflation and in others to be reset periodically to market rental rates.

The Group also leases certain items of plant and equipment, being vehicles. Leases of vehicles comprise only fixed payments over the lease terms.

The percentages in the table below reflect the current proportions of lease payments that are either fixed or variable. The sensitivity reflects the impact on the carrying amount of lease liabilities and right-of-use assets if there was an uplift of 2% on the reporting date to lease payments that are variable.

Half-year ended 30 September 2019

	Lease Contracts Number	Fixed payments %	Variable payments %	Sensitivity \$'000
Property leases with payments linked to inflation	8	-	50%	±3
Property leases with periodic uplifts to market rentals	2	-	31%	±2
Property leases with fixed payments	2	16%	-	-
Vehicle leases	2	3%	-	-
	14	19%	81%	±5

Notes to and forming part of the Financial Statements For the half-year ended 30 September 2019

continued

9. LEASE LIABILITIES (CONTINUED)

The Group has adopted NZ IFRS 16 from 1 April 2019 but has not restated comparatives for the 2018 reporting period as permitted under the specific transition provisions in the standard.

On adoption of NZ IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of NZ IAS 17 Leases. These liabilities were measured at the present value of the remaining

lease payments, discounted using the incremental borrowing rate as of 1 April 2019.

The weighted average incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 5.26%.

The aggregate lease liability recognised in the Statement of financial position at 1 April 2019 and the Group's operating lease commitment at 31 March 2019 can be reconciled as follows:

	\$'000
Operating lease commitment at 1 April 2019	546
Effect of discounting those lease commitments	(28)
Adjustment for different treatment of property lease renewal option	558
Effect of leases not recognised at 31 March 2019	56
Lease liability recognised at 1 April 2019	1,132

The associated right-of-use assets were increased by \$1,131,542 on 1 April 2019 (see note 7). In applying the modified retrospective approach, the Group has taken advantage of the following practical expedients:

- Initial direct costs have not been included in the measurement of the right-of-use asset as at the date of initial application.
- Hindsight has been used for the purposes of measuring the right-of-use asset. Therefore, it has been measured based on prevailing estimates at the date of the initial application and not retrospectively by making estimates and judgements (such as the term of leases) based on circumstances on or after the lease commencement date.

10. 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 2019 \$'000	For the half-year ended 30 September 2018 \$'000
Numerator		
Loss for the half-year after tax ("N")	(198)	(220)
Denominator	'000	'000
Weighted average number of ordinary shares used in basic EPS ("D1")	52,744	2,480
Effects of:		
Employee share options	2,256	77
Preference shares	-	1,124
Period end number of shares used in diluted EPS ("D2")	55,235	3,681
	Cents	Cents
Basic earnings per share (N/D1 x 100)	(0.38)	(8.87)
Diluted earnings per share (N/D2 x 100)	(0.36)	(5.98)

Notes to and forming part of the Financial Statements For the half-year ended 30 September 2019

continued

11. EVENTS AFTER THE REPORTING PERIOD

There were no reported significant events after balance sheet date as at 30 September 2019.

12. 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 2019 \$'000	31 March 2019 \$'000
Level 3		
Financial Liabilities		
Deferred consideration	1,854	2,153

Details of the contingent consideration liability have been provided in note 8.

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 -\$1.15m 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 \$0.2m addition 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 discount rate input has a \$0.011m effect on the fair value of the contingent consideration liability recognised at fair value through profit or loss.

Company Directory

for the half-year ended 30 September 2020

Company Number	1008867
Australian Registered Body Number	628 707 399
Registered office	New Zealand Level 2, Building 3 61 Constellation Drive Auckland Australia C/o Boadroom Pty Limited Level 12 225 George Street Sydney NSW 2000
Principal place of business	Auckland, New Zealand
Independent Auditor	BDO Auckland
Lawyers	Bell Gully Wellington
Banker	ANZ Bank BNZ Bank NAB Bank
Directors	Philip Norman (Chair) Grant Straker Stephen Donovan Katrina Johnson Tim Williams Paul Wilson
Company Secretary	Laura Newell
Share Registrar	Link Market Services Limited, Sydney
Company website	www.strakertranslations.com