STRAKER TRANSLATIONS LIMITED AND GROUP
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

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STRAKER TRANSLATIONS LIMITED AND GROUP
DIRECTORS' RESPONSIBILITY STATEMENT
FOR THE YEAR ENDED 31 MARCH 2020

The Directors are pleased to present the consolidated financial statements of Straker Translations Limited for the year ended 31 March 2020.

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of the Straker Translations Limited Group as at 31 March 2020 and the results of their operations and cash flows for the year ended 31 March 2020.

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

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

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

Approved for and on behalf of the Board of Directors on 28 May 2020.

Director

Director

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Straker Translations Limited ("the Company") and its subsidiaries (together, "the Group"), which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS").

Basis for Opinion

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Goodwill impairment

Key Audit Matter	How The Matter Was Addressed in Our Audit
The Group has recognised goodwill on historical acquisitions, as well as for OnGlobal and NZTC, which were acquired in the year. The goodwill balance of $7.590m at 31 March 2020 is subject to an annual impairment test in accordance with NZ IAS 36 Impairment of Assets. Management performed their impairment test by considering the recoverable amount of the Group's goodwill using a value in use calculation. This calculation is complex and subject to key inputs and assumptions, such as discount rates and future cash flows, which inherently include a degree of estimation uncertainty and are prone to potential bias or inconsistent application.	• We have obtained Management's value in use calculations prepared for each of the cash generating units and evaluated the key inputs and assumptions including those impacted by COVID-19. The key inputs included revenue, growth rates, gross margin, and discount rate. • We assessed the accuracy of previous forecasts to actual performance in order to form a view on the reliability of Management's forecasting ability. We have considered the sensitivity of key assumptions to the VIU calculations in the context of COVID-19. We performed this in order to identify the cash generating units that required closer scrutiny. • We have engaged our internal valuation experts to review the mechanics of the value in use calculation against the valuation methodology, and the discount rate used.

Goodwill impairment (continued)

Key Audit Matter	How The Matter Was Addressed in Our Audit
In addition to the above, Management has recognised an impairment loss of $0.799m in the year in relation to the Elanex cash-generating unit resulting from a sustained loss of revenue. This further increased our effort in this key audit area. Refer to note 11 (intangible assets) of the consolidated financial statements.	• We have compared the carrying value of the CGUs' assets to the recoverable amount determined by the impairment test to identify any impairment losses. We verified the impairment loss of $0.799m recognised on the Elanex cash generating unit at 31 March 2020. No other cash generating units have been impaired. • We have reviewed disclosures in the consolidated financial statements, including impairment and sensitivity analysis, to the requirements of the accounting standard.

Intangibles acquired as part of a business combination

Key Audit Matter	How The Matter Was Addressed in Our Audit
The Group is required to recognise at fair value any separately identifiable intangible assets acquired through a business combination. As a result of the acquisitions of COM, On-Global and NZTC, the Group has recognised customer relationship intangible assets in the year of $1.659m, and $0.427m restated in the previous year. At the reporting date the business combination accounting for NZTC remained provisional. There is a significant level of judgement required to determine the fair value of such intangible assets. Refer to note 11 (intangible assets), note 26 (business combinations completed in the current period) and note 27 (business combinations completed in the prior period) of the consolidated financial statements.	• We obtained Management's assessment of identifiable intangible assets acquired in the acquisitions. • We reviewed their assessment against our expectations of likely intangible assets, based on our review of the sale and purchase agreements and our understanding of similar acquisitions. • We obtained Management's fair value calculation for intangibles acquired in the business combinations, prepared in conjunction with an external valuation expert for the COM and On-Global acquisitions, and prepared internally for the NZTC acquisition. • We assessed the competence and independence of Management's external valuation expert, and challenged the expert as to the scope, methodology, findings and conclusions of their work. • We reviewed the key financial inputs to the fair value calculations to supporting documentation, including the existence of any contractual arrangements, historical financial data, cash flow forecasts and our understanding of the businesses. • For the COM and On-Global acquisitions, which required the finalisation of the business combination accounting in the year, we engaged our internal valuation experts to review the valuation methodology used and the discount rate used. • We reviewed the consolidated financial statement disclosures against the accounting standards.

Contingent acquisition consideration

Key Audit Matter	How The Matter Was Addressed in Our Audit

As part of the consideration for the acquisitions, Management has recognised $1.371m of contingent consideration liabilities on the On-Global and NZTC acquisitions completed in the year.
 	
The liabilities are contingent on the future revenue performance of the acquired entities over a period of two years.
 	
The Group has recognised a gain on fair value of contingent consideration liability of $0.535m to profit or loss in the year as a result of earn out targets not being achieved and no longer being forecast to be met in relation to the Eule cash generating unit, an acquisition that occurred in the previous year.
 	
As recognition is dependent on forecast revenue levels when compared to the prescribed revenue targets, the liabilities are subject to significant judgement and estimation uncertainty around the assumptions and inputs to Management's forecast calculations and are prone to bias.
 	
Refer to note 17.2 (contingent consideration liability), note 23 (financial risk management), and note 26 (business combinations completed in the current period) of the consolidated financial statements.
	• We reviewed sale and purchase agreements to identify the contingent consideration clauses and relevant earn out targets.
	• For those earn out clauses based on achieving revenue targets for future periods from the date of acquisition, we have performed the following procedures:
	  ○ Compared actual revenue performance since acquisition to the earn out target.
	  ○ Compared future forecast revenue to Management-prepared budgets particularly in the context of the COVID-19 pandemic.
	  ○ Challenged Management's assumptions and inputs to the budgets, focussing on revenue by customer, historical financial information (including prior to acquisition) and the impact of COVID-19.
	• We re-performed Management's contingent consideration liability calculation based on actual and forecast revenue to the prescribed earn out target.
	• We re-calculated the gain on fair value of contingent consideration liability of $0.535m in relation to the Eule cash generating unit acquired in the previous financial year. We confirmed that the earn out target for the first 12 months from date of acquisition was not achieved. We reviewed Management's assertion that the earn out target for the second year from date of acquisition will not be achieved based on actual and forecast revenue performance.
	• We reviewed the consolidated financial statement disclosures

Other Information

The directors are responsible for the other information. The other information comprises the Appendix 4E Report (which we obtained prior to the date of this auditor's report), but does not include the consolidated financial statements and our auditor's report thereon, and the Annual Report, which is expected to be made available to us after that date.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Directors' Responsibilities for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

A further description of our responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1.

This description forms part of our auditor's report.

Who we Report to

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

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

BDO Auckland

BDO Auckland
Auckland
New Zealand
28 May 2020

STRAKER TRANSLATIONS LIMITED AND GROUP
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 $'000	2019 $'000
Revenue	4	27,736	24,594
Cost of sales (translator contractor costs)		(12,536)	(11,169)
Gross margin		15,200	13,425
Other income		62	81
		15,262	13,506
Selling and distribution expenses		(9,396)	(8,309)
Administration expenses		(8,244)	(5,987)
Loss from trading operations before amortisation of acquired intangibles, acquisition and integration costs, impairment of intangible assets and IPO related costs		(2,378)	(790)
Amortisation of acquired intangibles	11	(1,155)	(682)
Acquisition and integration costs	26	(772)	(593)
Impairment of intangible assets	11	(799)	-
IPO related costs		-	(1,953)
Operating loss before net finance income	5	(5,104)	(4,018)
Finance income		2,569	716
Finance expense		(177)	(1,182)
Net finance income/(expense)	6	2,392	(466)
Loss before income tax		(2,712)	(4,484)
Income tax credit	7	190	155
Loss for the year after tax		(2,522)	(4,329)
Other Comprehensive Income			
Items that may be reclassified to profit or loss, net of tax			
Foreign currency translation differences		(1,178)	(147)
Total Comprehensive Income for the year		**(3,700)**	**(4,476)**
Earnings per share for the period attributable to the owners of the parent			
Basic earnings per share (cents)	8	(4.77)	(10.95)
Diluted earnings per share (cents)	8	(4.73)	(7.87)

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

STRAKER TRANSLATIONS LIMITED AND GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

Group - 31 March 2020	Notes	Share Capital $'000	Accumulated Losses $'000	Share Option Reserve $'000	Foreign Currency Translation Reserve $'000	Total Equity $'000
Balance 1 April 2019		**40,123**	**(13,767)**	**232**	**(177)**	**26,411**
Loss for the year		-	(2,522)	-	-	(2,522)
Currency translation differences		-	-	-	(1,178)	(1,178)
Total comprehensive income for the year		**-**	**(2,522)**	**-**	**(1,178)**	**(3,700)**
Transactions with owners in their capacity as owners						
Issue of share capital	19	676	-	-	-	676
Cost of issue of share capital		(13)	-	-	-	(13)
Share option cost expensed		-	-	91	-	91
Balance 31 March 2020		**40,786**	**(16,289)**	**323**	**(1,355)**	**23,465**

Group - 31 March 2019	Notes	Share Capital $'000	Accumulated Losses $'000	Share Option Reserve $'000	Foreign Currency Translation Reserve $'000	Total Equity $'000
Balance 1 April 2018		**21,402**	**(9,438)**	**121**	**(30)**	**12,055**
Loss for the year		-	(4,329)	-	-	(4,329)
Currency translation differences		-	-	-	(147)	(147)
Total comprehensive income for the year		**-**	**(4,329)**	**-**	**(147)**	**(4,476)**
Transactions with owners in their capacity as owners						
Issue of share capital	19	20,263	-	-	-	20,263
Redemption of share capital	19	(1,542)	-	-	-	(1,542)
Share option cost expensed		-	-	111	-	111
Balance 31 March 2019		**40,123**	**(13,767)**	**232**	**(177)**	**26,411**

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

STRAKER TRANSLATIONS LIMITED AND GROUP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Notes	2020 $'000	Restated (Notes 11 & 17) 2019 $'000
Current Assets			
Cash and cash equivalents		11,228	17,669
Trade receivables	9	5,854	3,908
Other assets and prepayments	10	1,518	1,360
Total Current Assets		**18,600**	**22,937**
Non-current Assets			
Intangible assets	11	13,391	10,615
Plant and equipment	12	289	214
Right-of-use assets	13	1,049	-
Total Non-current Assets		**14,729**	**10,829**
Total Assets		**33,329**	**33,766**
Current Liabilities			
Trade payables	14	682	718
Sundry creditors and accruals	15	3,718	2,847
Employee provisions	16	529	363
Deferred consideration	17	561	230
Contingent consideration	17	1,419	1,039
Lease liabilities	18	402	-
Total Current Liabilities		**7,311**	**5,197**
Non-current Liabilities			
Contingent consideration	17	872	1,357
Lease liabilities	18	738	-
Deferred tax liability	7	943	801
Total Non-current Liabilities		**2,553**	**2,158**
Total Liabilities		**9,864**	**7,355**
NET ASSETS		**23,465**	**26,411**
Equity			
Share capital	19	40,786	40,123
Foreign currency translation reserve		(1,355)	(177)
Share option reserve	25	323	232
Accumulated losses		(16,289)	(13,767)
TOTAL EQUITY		**23,465**	**26,411**

Approved for and on behalf of the Board of Directors on 28 May 2020.

Director **Director**

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

STRAKER TRANSLATIONS LIMITED AND GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers		27,125	23,900
Interest received		76	104
Payments to suppliers and employees		(28,803)	(25,069)
Net cash used in operating activities	28	(1,602)	(1,065)
Cash flows from investing activities			
Proceeds from sale of plant and equipment		10	-
Payments for capitalised software development		(1,191)	(740)
Payments for plant & equipment and purchased software		(250)	(99)
Payments for acquisition and integration costs		(737)	(557)
Payments for acquisition of subsidiaries, net of cash acquired		(1,470)	(2,191)
Net cash used in investing activities		(3,638)	(3,587)
Cash flows from financing activities			
Proceeds from issue of shares		72	20,074
Cost of share issue		(14)	(1,402)
IPO related costs		(215)	(1,844)
Lease liability payments	18	(535)	-
Payment of deferred consideration		(230)	(287)
Payment of contingent consideration		(697)	(864)
Payment of acquired entity's loans and borrowings		(583)	(408)
Net cash from financing activities		(2,202)	15,269
Net (decrease)/increase in cash and cash equivalents		(7,442)	10,617
Effect of exchange rate on foreign currency balances		1,001	(772)
Cash and cash equivalents at beginning of the year		17,669	7,824
Cash and cash equivalents at end of the year		**11,228**	**17,669**

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

1. REPORTING ENTITY AND STATUTORY BASE

Straker Translations Limited ("the Company" or "parent") is a company domiciled in New Zealand and registered under the New Zealand Companies Act 1993 and is listed on the Australian Securities Exchange (ASX). The audited consolidated financial statements of Straker Translations Limited and its subsidiaries (together, "the Group" or "Straker") have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013.

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

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

2. BASIS OF PREPARATION

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

The financial statements are presented in New Zealand dollars (NZD), which is also the functional currency of the parent company. Amounts are rounded to the nearest thousand dollars ($'000) in the financial statements.

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

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

a) Basis of measurement

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

b) Change of accounting policies

New standards, interpretations and amendments effective from 1 April 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. As a result there has been a change in the financial position between 31 March 2019 and 1 April 2019. As at 1 April 2019 the total assets and total liabilities have respectively increased (in thousands), by $1,132 for the recognition of a Right of Use Asset and $201 (current liabilities) plus $931 (non-current liabilities) due to the recognition of a Lease Liability.

2. BASIS OF PREPARATION (CONTINUED)

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 and transactions for which significant judgements, estimates and assumptions are made:

i) COVID-19 pandemic

In December 2019, a new virus, COVID-19 was detected in the Wuhan province of 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.

The other jurisdictions where the Group operates remain subject to varying degrees of lockdown conditions in May 2020 (subsidiaries listed in note 20).

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 on the following page.

This assessment is based on information available at the time of preparing these financial statements.

2. BASIS OF PREPARATION

c) Use of estimates and judgements

i) COVID-19 pandemic (Continued)

Financial statement area	Summary of COVID-19 impacts	Note where more information is provided
Accounts receivable	The impairment provision has increased $0.077m in the current year. Of this, $0.040m is due to changed expectations regarding counterparties because of COVID-19.	Note 9
Goodwill	The goodwill balance of $7.590m at 31 March 2020 was subject to an annual impairment test in accordance with NZ IAS 36 Impairment of Assets which was performed by using a value in use calculation. 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 a material decline on forecast revenue for most of the cash generating units. The Group has recognised an impairment loss of $0.8m in the year in relation to the Elanex cash-generating unit as a result of reduced levels of spend from a banking customer, who closed down their investment banking division, as well as management's expectations of reduced future profitability. No other cash generating units have been impaired.	Note 11
Contingent consideration liabilities	The Group's contingent consideration liabilities of $2.291m at 31 March 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 not recognised certain contingent consideration amounts at 31 March 2020, as revised revenue forecasts do not achieve the earn out targets. 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. The fair value gain of $0.535m on contingent consideration liability on the Eule cash generating unit was not impacted by COVID-19, as the probability of the earn out target not being achieved was assessed prior to the pandemic being declared.	Note 17

2. BASIS OF PREPARATION

c) Use of estimates and judgements

i) COVID-19 pandemic (Continued)

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 and Ireland
- Deferred its merger and acquisition strategy while remaining vigilant for opportunities
- Management and staff have 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 first quarter

Although the Group has been impacted by COVID-19, the directors have concluded that the Company 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 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 reasonably well in most markets despite some decline

ii) Business combinations completed in the current period (note 26) and contingent consideration liabilities (note 17)

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

iii) Goodwill (note 11)

The Directors have used judgement in considering impairment associated with goodwill by using a value-in-use calculations.

iv) Capitalised software development (note 11)

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

v) Revenue (note 4) and Contract asset (note 10) and Contract liability (note 15) recognition

Translation income invoices for services not yet performed are deferred as 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 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 liability consists of unpaid translator costs for which invoices have not been received, accrued as a current liability.

3. 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).

Reportable 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 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 the consolidated financial statements. 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 reportable segment level.

Year ended 31 March 2020	**APAC**	**EMEA**	**NAM**	**TOTAL**
	$'000	**$'000**	**$'000**	**$'000**
Revenue				
Total revenue from external customers	3,993	14,787	8,956	27,736
Other income	27	35	-	62
Total income	4,020	14,822	8,956	27,798
Cost of sales, Selling and distribution and Administration expenses	(4,457)	(16,420)	(9,299)	(30,176)
Loss from segment trading operations before impairment of intangible assets	(437)	(1,598)	(343)	(2,378)
Impairment of intangible assets	-	-	(799)	(799)
Segment contribution	**(437)**	**(1,598)**	**(1,142)**	**(3,177)**

3. SEGMENT REPORTING (CONTINUED)

Year ended 31 March 2019	**APAC**	**EMEA**	**NAM**	**TOTAL**
	$'000	**$'000**	**$'000**	**$'000**
Revenue				
Total revenue from external customers	3,620	12,520	8,454	24,594
Other income, Cost of sales, Selling and distribution and Administration expenses	(3,939)	(12,527)	(8,918)	(25,384)
Segment contribution	**(319)**	**(7)**	**(464)**	**(790)**

	2020 $'000	**2019 $'000**
Reconciliation from segment contribution to loss before tax		
Segment contribution	(3,177)	(790)
Amortisation of acquired intangibles	(1,155)	(682)
Acquisition of subsidiaries costs	(772)	(593)
IPO related costs	-	(1,953)
Net finance income/expense	2,392	(466)
Loss before income tax	**(2,712)**	**(4,484)**

4. REVENUE

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

Types of goods and services:		
Translation services	27,736	24,594

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.

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. 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.

5. OPERATING LOSS BEFORE NET FINANCE INCOME/(EXPENSE)

The following items of expenditure are included in operating loss before net finance income/(expense):

	2020 $'000	2019 $'000
Selling and Distribution expenses		
Advertising and marketing	2,227	2,758
Salaries and wages	7,169	5,551
Administrative expenses		
Remuneration to parent auditor:		
- fee relating to audit of the financial statements	68	64
- fee relating to other assurance engagement (interim review)	35	35
- fee relating to audit of subsidiary financial statements paid to parent auditor network	23	-
- taxation services – compliance	36	19
- professional advisor in relation to the IPO process	-	295
Other non-Group auditor's remuneration for audit of subsidiary entities	-	17
Amortisation of capitalised software development (note 11)	517	333
Amortisation of computer software (note 11)	68	48
Depreciation of property, plant and equipment (note 12)	175	77
Depreciation of right of use assets (note 13)	503	
Bad debts written off	33	-
Impairment provision recognised on receivables at amortised cost (note 9)	77	50
Rent	53	517
Salaries and wages	2,529	2,323
Kiwisaver contributions	100	105
Share option expenses	91	111

During the year, a fee of $1,882 was paid to BDO East Coast Partnership (Australia) in relation to hosting services (2019: $382,000 for their role as a professional advisor in relation to the IPO process. This includes $88,000 debited to equity as a cost of share issue). In addition, a fee of $515 was paid to BDO AG Wirtschaftsprüfungsgesellschaft (Hamburg) in relation to contract advisory services (2019: $160,000 in relation to corporate finance services).

6. NET FINANCE INCOME AND EXPENSE

	Note	2020 $'000	2019 $'000
Finance income			
Interest received on bank balances		76	104
Foreign exchange gain		1,958	189
Gain on fair value adjustment to contingent consideration liability	17	535	423
Total finance income		2,569	716
Finance expense			
Interest expense on liabilities stated at amortised cost		(66)	(3)
Foreign exchange loss		-	(1,063)
Impairment		-	(9)
Imputed interest on contingent consideration liability	17	(111)	(107)
		(177)	(1,182)
Net finance income/(expense)		2,392	(466)

6. NET FINANCE INCOME AND EXPENSE (CONTINUED)

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

Finance expense includes interest expense on liabilities, and imputed interest on deferred consideration liability.

Foreign currency translation gains and losses

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

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

7. INCOME TAX EXPENSE

a) Income tax recognised in profit or loss

	2020 $'000	2019 $'000
Current tax expense	(163)	(37)
Deferred tax credit	353	192
Total tax credit	190	155

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

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

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

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

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

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

7. INCOME TAX EXPENSE (CONTINUED)

	2020 $'000	2019 $'000
The total charge for the period can be reconciled to the accounting profit as follows:		
Loss before tax	(2,712)	(4,484)
Income tax expense calculated at 28% (2019: 28%)	(759)	(1,256)
Different tax rates applied in overseas jurisdictions	7	37
Tax losses not recognised	562	1,374
Income tax credit recognised in profit or loss	190	155

b) Deferred tax liability

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (2019: 28%).

	2020 $'000	Restated Note 27 2019 $'000
Deferred tax liability		
Deferred tax liabilities arising on business combinations	1,296	993
Reversal of temporary differences	(353)	(192)
At 31 March	943	801
Recognised deferred tax liabilities		
Intangible assets – arising on business combinations	(943)	(801)
At 31 March	(943)	(801)

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

The deferred tax liability in the prior year has been restated as a result of the finalisation of the recording of the acquisition of Straker Media SL (previously ComTranslations Online SL) (note 27).

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

A deferred tax asset has not been recognised by the Group because the Directors consider that it is not probable that the related tax benefit will be recognised, due to a recent history of losses

The value of deferred tax asset not recognised as at 31 March 2020 was $1,149,619 (2019: $1,046,215). The deferred tax asset not recognised is comprised of the effect of the tax benefit of operating losses.

c) Losses brought forward

At 31 March 2020 the Group had accumulated tax losses to carry forward for tax purposes of $4,105,783 (2019: $3,736,483).

8. EARNINGS PER SHARE

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

	2020 $'000	2019 $'000
Numerator		
Loss for the year after tax ("N")	(2,522)	(4,329)
Denominator	**'000**	**'000**
Weighted average number of ordinary shares used in basic EPS ("D1")	52,908	39,535
Period end number of ordinary shares	53,101	52,598
Effects of: Employee share options	235	2,436
Period end number of shares used in diluted EPS ("D2")	53,336	55,034
	Cents	**Cents**
Basic earnings per share (N/D1 x 100)	(4.77)	(10.95)
Diluted earnings per share (N/D2 x 100)	(4.73)	(7.87)

9. TRADE RECEIVABLES

	2020 $'000	2019 $'000
Gross trade receivables	6,009	3,986
Impairment allowance	(155)	(78)
Trade receivables	5,854	3,908
Opening balance of impairment provision	78	28
Additional expense identified	77	50
	155	78

The Group applies the NZ IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

The expected loss rates are based on the Group's historical credit losses experienced over the three year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. The Group has identified the impact of the Covid-19 pandemic, gross domestic product (GDP), unemployment rate and inflation rate as the key macroeconomic factors in the countries where the Group operates.

	Notes	2020 $'000	2019 $'000

10. OTHER ASSETS AND PREPAYMENTS

	Notes	2020 $'000	2019 $'000
Contract asset	10.1	1,074	866
Deposit		17	131
Prepayments		321	309
Tax receivables		106	54
		1,518	1,360

10.1 CONTRACT ASSET

	Notes	2020 $'000	2019 $'000
Opening balance		866	588
Invoiced in the year		(866)	(588)
Un-invoiced revenue at 31 March	2.c.v	1,074	866
		1,074	866

11. INTANGIBLE ASSETS

CAPITALISED SOFTWARE DEVELOPMENT

Cost	**2020 $'000**	**2019 $'000**
Opening Balance	2,252	1,521
Additions in the year	1,192	740
Impairment	-	(9)
Closing Balance	3,444	2,252
Amortisation		
Opening Balance	(623)	(290)
Charge recognised in statement of comprehensive income	(517)	(333)
Closing Balance	(1,140)	(623)
Net book value	**2,304**	**1,629**

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

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

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

11. INTANGIBLE ASSETS

CAPITALISED SOFTWARE DEVELOPMENT (CONTINUED)

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

Capitalised development costs are amortised over the periods the Group expects to benefit from utilising the software to manage translation service projects (currently five years).

The amortisation expense is included within the administration expenses in profit or loss.

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

Additions in the year include salaries and wages of $844,371 (2019: $652,735).

COMPUTER SOFTWARE	**2020 $'000**	**2019 $'000**
Cost		
Opening Balance	281	162
Acquired as part of a business combination (Refer to note 27)	31	108
Additions in the year	8	11
Closing Balance	320	281
Amortisation		
Opening Balance	(124)	(76)
Charge recognised in statement of comprehensive income	(68)	(48)
Closing Balance	(192)	(124)
Net book value	**128**	**157**

Computer software is amortised over 2-4 years on a straight line basis.

Assets arising as a result of acquisitions

During the year, goodwill and customer relationship assets (CRA) were recognised as a result of the acquisition of two subsidiaries (refer note 26) as follows:

CUSTOMER RELATIONSHIP INTANGIBLE ASSETS	**2020 $'000**	**Restated (Note 27) 2019 $'000**
Cost		
Opening Balance	4,014	2,052
Acquired as part of a business combination (Refer to note 26)	1,659	1,962
Closing Balance	5,673	4,014
Amortisation		
Opening Balance	(1,149)	(467)
Charge recognised in statement of comprehensive income	(1,155)	(682)
Closing Balance	(2,304)	(1,149)
Net book value	**3,369**	**2,865**

11. INTANGIBLE ASSETS (CONTINUED)

	2020 $'000	Restated (Note 27) 2019 $'000
GOODWILL		
Cost		
Opening Balance	5,964	2,218
Acquired as part of a business combination (Refer to note 27)	2,425	3,746
Closing Balance	8,389	5,964
Impairment	(799)	
Closing Balance	(799)	-
Net book value	**7,590**	**5,964**

Net book value	Capitalised Development Software	Computer Software	Customer Relationship Asset	Goodwill	Total
At 31 March 2020	2,304	128	3,369	7,590	13,391
At 31 March 2019 (restated)	1,629	157	2,865	5,964	10,615

Intangibles acquired in a business combination

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

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

Customer relationships

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

Following initial recognition, customer relationship intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful economic lives of customer relationships are between 3 and 7 years dependent on the underlying contracts, historical information and forecast revenues.

In the current year, management commissioned an independent valuation of an acquired company's customer relationships in relation to the business combinations where the business combination accounting has been finalised. The acquired company is On-Global Language Marketing Services SL ("on-Global"). Management has also determined a provisional estimated valuation of the customer relationships associated with the acquisition of The New Zealand Translation Centre Limited ("NZTC") of $390,000.

11. INTANGIBLE ASSETS (CONTINUED)

The fair value at the date of acquisition is determined by estimated discounted cash flow valuation using the Multi-Period Excess Earnings Method which is a financial valuation model used in valuing customer-related intangible assets that estimates revenues and cash flows derived from the intangible asset and then deducts portions of the cash flow that can be attributed to supporting assets, such as a brand name or fixed assets, that contributed to the generation of the cash flows. The resulting cash flow, which is attributable solely to the subject intangible asset, is then discounted at a rate of return commensurate with the risk of the asset to calculate a present value.

Key assumptions and inputs are as follows:

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

	On-Global
Annual customer growth rates	0.7%
Gross margin	53% - 55%
Earnings before interest, tax, depreciation and amortisation rate	18%
Discount rate %	7.9%
Customer relationship useful economic life	4 years

Goodwill

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

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

Direct costs of acquisition are recognised immediately as an expense.

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

Intangible asset impairment

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

Customer relationship intangible assets are amortised over 3-7 years on a straight line basis.

11. INTANGIBLE ASSETS (CONTINUED)

Goodwill impairment

The carrying amount of goodwill has been allocated to the cash generating units (CGUs) as follows:

	Eurotext $'000	Elanex $'000	MSS $'000	Eule $'000	Com $'000	On-Global $'000	NZTC $'000	Total $'000
31 March 2020	449	970	1,797	930	1,020	1,520	904	7,590
31 March 2019	449	1,769	1,797	930	1,085	-	-	6,030

The Group has allocated goodwill to the above acquired subsidiaries, as the smallest identifiable asset or group of assets that each generate cash inflows that are largely independent of the cash inflows from other assets and subsidiaries in the Group. The CGUs have been defined in note 20.

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

The recoverable amount of all CGUs have been determined based on value-in-use calculations. 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 a material decline on forecast revenue for most of the cash generating units. Cash flows beyond the five-year period are extrapolated using the terminal growth rates stated below.

The key assumptions and inputs to the value in use calculations are as follows.

	Eurotext	Elanex	MSS	Eule	Com	On-Global	NZTC
Annual revenue growth rates	-20% - 10%	-27% - 2%	-13% - 5%	-11% -3%	-8% - 69%	-2% - 26%	-23% - 16%
Gross margin rate	48%	46%	57%	49% - 50%	51%	55% - 56%	40% - 43%
Discount rate %	9.50%	11.00%	9.63%	9.50%	9.63%	9.63%	12.90%
Terminal Value	0.08%	2.1%	0.58%	0.04%	0.58%	1.05%	0.59%

Based on the value in use calculations, there is no impairment of goodwill other than in respect of the acquisition of subsidiary company, Elanex Inc. As a result of the dissolution of a major customer in the financial sector and the impact of the Covid-19 pandemic on economic activity globally, goodwill has been impaired by $0.8m (see note 2.c.i). The recoverable value of the Elanex CGU at 31 March 2020 has been determined as $1.73m.

Management has determined that there are other reasonably possible changes in the key assumptions on which management has based its determination of the other CGUs' recoverable amounts that would cause the CGU's carrying amount to exceeds its' recoverable value.

12. PLANT AND EQUIPMENT

	Motor Vehicles $'000	Furniture and Fittings $'000	Leasehold Equipment $'000	Computer Equipment $'000	Total $'000
2020					
Cost					
Balance at 1 April 2019	48	78	23	405	554
From acquisitions (note 26)	-	21	3	19	43
Additions	-	22	42	177	241
Disposals	(41)	(4)	-	(25)	(70)
Balance at 31 March 2020	7	117	68	576	768
Accumulated Depreciation					
Balance at 1 April 2019	7	44	6	283	340
Depreciation charge for the year	2	16	6	151	175
Disposals	(7)	(4)	-	(25)	(36)
Balance at 31 March 2020	2	56	12	409	479

	Motor Vehicles $'000	Furniture and Fittings	Leasehold Equipment	Computer Equipment	Total
2019	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cost					
Balance at 1 April 2018	-	60	19	297	376
From acquisitions (note 28)	48	6	-	44	98
Additions	-	12	4	68	84
Disposals	-	-	-	(4)	(4)
Balance at 31 March 2019	48	78	23	405	554
Accumulated Depreciation					
Balance at 1 April 2018	-	32	4	230	266
Depreciation charge for the year	7	12	2	56	77
Disposals	-	-	-	(3)	(3)
Balance at 31 March 2019	7	44	6	283	340
Net book value					
At 31 March 2020	5	61	56	167	289
At 31 March 2019	41	34	17	122	214
At 31 March 2018	-	28	15	67	110

12. PLANT AND EQUIPMENT (CONTINUED)

Owned assets

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

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

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are charged to profit or loss during the financial period in which they are incurred.

Depreciation

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

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

The following depreciation rates are used in both years:

- Computer equipment 25% -50% Straight Line
- Furniture and fittings 25% -50% Straight Line
- Leasehold equipment 8% -10% Straight Line
- Vehicles 20% -25% Straight Line

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

13. RIGHT-OF-USE ASSETS

	Equipment	Property	Motor vehicles	Total
	$'000	$'000	$'000	$'000
At 1 April 2019	-	1,132	-	1,132
Additions	12	376	32	420
Amortisation	(1)	(486)	(16)	(503)
At 31 March 2020	11	1,022	16	1,049

Details of the right-of-use asset policy are contained in notes 2.b and 18.

14. TRADE PAYABLES

	Notes	2020 $'000	2019 $'000
Trade payables		682	718

No interest is incurred on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

15. SUNDRY CREDITORS AND ACCRUALS

	2020 $'000	2019 $'000
Accruals	593	809
Translator costs accrual	2,120	1,686
Goods and services tax	405	207
Contract liability	600	145
	3,718	2,847

16. EMPLOYEE PROVISIONS

	2020 $'000	2019 $'000
Provision for holiday pay	529	363

17. CONSIDERATION LIABILITIES

17.1 DEFERRED CONSIDERATION LIABILITIES

	2020 $'000	2019 $'000
Due within one year	561	230
Due after more than one year	-	-
Total	561	230
Movement during the year		
Opening balance	230	287
Paid in year	(230)	(287)
Reclassified from contingent consideration liabilities at year end	561	230
Closing balance	561	230

17.2 CONTINGENT CONSIDERATION LIABILITIES

	2020 $'000	Restated 2019 $'000
Due within one year	1,419	1,039
Due after more than one year	872	1,357
Total	2,291	2,396
Movement during the year		
Opening balance	2,396	944
On acquisition [1]	1,371	2,862
Paid in year	(697)	(864)
Reclassified to deferred consideration liabilities at year end	(561)	(230)
Gain on fair value to profit or loss (finance income)	(535)	(423)
Unwinding of imputed interest on contingent consideration	111	107
Foreign exchange revaluation	206	-
Closing balance	2,291	2,396

[1] Note 26 details the business combinations completed in the current period for On-Global and NZTC.

17. CONSIDERATION LIABILITIES (CONTINUED)

NZTC

In relation to the acquisition, a contingent consideration liability of NZD $0.25m is payable upon the finalisation of these financial statements as a result of the successful achievement of revenue and adjusted profit targets on 31 March 2020.

A contingent consideration liability of NZD $0.3m is payable upon the successful achievement of revenue and margin targets on 31 March 2021. This contingent liability has not been recognised as the Group considers it unlikely that the revenue required will be achieved due to the forecast impact of the Covid-19 pandemic on the company's revenues.

A further contingent 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 $0.3m has been recognised, is payable in NZD ($) and has been discounted based on the Group's incremental borrowing rate and the number of years remaining under the earn out period. The Group considers that revenues will have recovered sufficiently from the effects of the Covid-19 pandemic to meet the required threshold.

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. A further earn out liability of Euro €0.25m is payable upon the successful achievement of revenue targets on 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 forecast impact of the Covid-19 pandemic has been considered in the assessment of expected revenues.

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

In relation to the acquisition of COM in the financial year ended 31 March 2019, an earn out liability of €0.130m is payable as a result of the successful achievement of revenue targets on 29 February 2020. A deferred consideration liability of this amount has been reclassified from contingent consideration liabilities. The deferred consideration liability is payable in April 2020. A previously contingent loan repayment of €0.182m also became payable as a result of the successful achievement of revenue targets on 29 February 2020. Payment of this amount to be made with the earn out payment.

A further earn out liability of €0.125m is payable upon the successful achievement of revenue targets on 28 February 2021. A contingent consideration liability of €0.1m has been recognised based on forecast revenues. The liability 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 forecast impact of the Covid-19 pandemic has been considered in the assessment of expected revenues.

Straker Germany GmbH (previously Eule Lokalisierung GmbH – "Eule")

In relation to the acquisition of Eule 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. No contingent earn out liability has been recognised at 31 March 2020 as the Group considers it unlikely that the revenue required for the earn out will be achieved. In the period an amount of $0.535m has been taken to profit or loss as a gain on fair value.

The Group has an unrecognised contingent liability of an additional €0.257m should Eule achieve its full revenue targets and the earn out becomes payable.

17. CONSIDERATION LIABILITIES (CONTINUED)

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. This liability has been recognised in full.

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 forecast impact of the Covid-19 pandemic has been considered in the assessment of expected revenues.

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

18. LEASE LIABILITIES

	Equipment	Property	Motor vehicles	Total
	$'000	$'000	$'000	$'000
At 1 April 2019	-	1,132	-	1,132
Additions	12	382	32	456
Interest expense	-	62	1	33
Lease payments	(1)	(518)	(16)	(535)
Effect of change in foreign exchange rates	-	51	3	54
At 31 March 2020	11	1,109	20	1,140

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.

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.

18. LEASE LIABILITIES (CONTINUED)

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 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 renegotiation 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 not 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.

18. LEASE LIABILITIES (CONTINUED)

Year ended 31 March 2020	Lease Contracts Number	Fixed payments %	Variable payments %	Sensitivity $'000
Equipment leases with fixed payments	1	0%		
Property leases with payments linked to inflation	7	-	52%	±5
Property leases with periodic uplifts to market rentals	3	-	41%	±3
Property leases with fixed payments	2	4%	-	-
Vehicle leases	2	3%	-	-
	15	**7%**	**93%**	±8

The Group has adopted NZ IFRS 16 from 1 April 2019 but has not restated comparatives for the 2019 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. Adjustment for different treatment of property lease renewal option between NZ IFRS 16 and NZ IAS 17. NZ IFRS 16 requires management to consider and to adjust for lease renewal options included in lease agreements it is likely to exercise. NZ IAS 17, which is superseded by IFRS 16, only calculates lease operating commitments up to the first right of renewal.

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 $1.13m on 1 April 2019 (see note 13). 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.

19. SHARE CAPITAL

	2020 $'000	2019 $'000
Ordinary capital		
Balance at beginning of the year	40,123	10,895
Proceeds from issue of ordinary shares during the year	72	20,091
Ordinary shares issued during the year - consideration as part of business combination	604	172
Converted redeemable preference capital	-	10,507
Costs of share issue	(13)	(1,542)
Balance at end of the year	40,786	40,123
Redeemable preference capital		
Balance at beginning of the year	-	10,507
Converted to ordinary shares during the year	-	(10,507)
Balance at end of the year	-	-
Total Share Capital	**40,786**	**40,123**

	2020 No. of Shares	2019 No. of Shares
<u>Ordinary shares</u>		
Share capital at the beginning of the year	52,598,610	2,905,399
Converted redeemable preference capital	-	1,123,995
	52,598,610	4,029,394
Share split of 10:1	-	36,264,546
Ordinary shares issued during the year	103,920	12,191,170
Ordinary shares issued during the year – consideration as part of business combination	398,830	113,500
Balance at end of the year	53,101,360	52,598,610
<u>Preference shares</u>		
Numbers of Shares at the beginning of the year	-	1,123,995
Converted to ordinary shares during the year	-	(1,123,995)
Balance at end of the year	-	-

The company has issued 53,101,360 ordinary shares (2019: 52,598,610) at year end. These shares have no par value. Ordinary shares have equal voting rights and share equally in dividends and surplus on winding up.

The Company has on issue nil convertible preference shares (2019: 0). The convertible preference shares had equal voting rights and shared equally in dividends as ordinary shares but ranked ahead of ordinary shares on wind up. During the prior year, 1,123,995 convertible preference shares were converted to ordinary shares prior to the IPO.

20. GROUP SUBSIDIARIES

Subsidiary	Country of Incorporation	Ownership Interest 2020	Ownership Interest 2019
Straker Europe Limited	Ireland	100%	100%
STS Translations Inc.	United States of America	100%	100%
Straker Translations Pty Limited	Australia	100%	100%
Straker Spain SL	Spain	100%	100%
Straker UK Limited	United Kingdom	100%	100%
Eurotext Translations Limited (“Eurotext”)	Ireland	100%	100%
Elanex Translations Inc. (“Elanex”)	United States of America	100%	100%
Hong Kong Translations Limited	Hong Kong	100%	100%
Management System Solutions SL (“MSS”)	Spain	100%	100%
Straker Germany GmbH (previously Eule Lokalisierung GmbH) (“Eule”)	Germany	100%	100%
Straker Media Sl (previously ComTranslations Online SL) (“Com”)	Spain	100%	100%
On-Global Language Marketing Services SL (“On-Global”)	Spain	100%	-
New Zealand Translations Services Centre Limited (“NZTC”)	New Zealand	100%	-

Management System Solutions SL, Straker Media SL and On-Global Language Marketing Services SL are 100% subsidiaries of Straker Spain SL. Straker Spain SL, Straker UK Limited and Eurotext Translations Limited are 100% subsidiaries of Straker Europe Limited. Elanex Translations Inc. is a 100% subsidiary of STS Translations Inc. (USA). All subsidiary companies are providers of translation services and have 31 March balance dates other than On-Global which has a 31 December financial year end.

21. CAPITAL MANAGEMENT

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

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

22. EVENTS AFTER THE REPORTING PERIOD

The Group received COVID-19 Wage Subsidies from New Zealand government department Work and Income of $0.4m on 6 April 2020. There were no reported significant events after balance sheet date as at 31 March 2020.

23. FINANCIAL RISK MANAGEMENT

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

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

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

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

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

Financial risk management objectives, policies and processes

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

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

i) Financial instruments by category

31 March 2020	Assets At Amortised Cost $'000	Liabilities at Amortised Cost $'000	Fair value through Profit or Loss $'000	Total Carrying Amount $'000
Financial assets				
Cash and cash equivalents	11,228	-	-	11,228
Trade receivables	5,854	-	-	5,854
Total	17,082	-	-	17,082
Financial liabilities				
Trade payables	-	(682)	-	(682)
Accruals	-	(593)	-	(593)
Translator costs accrual	-	(2,120)	-	(2,120)
Deferred consideration	-	(523)	-	(523)
Contingent consideration	-	-	(2,329)	(2,329)
Lease liabilities	-	(1,140)	-	(1,140)
Total	-	(5,058)	(2,329)	(7,387)

Maturity analysis – Contractual liabilities

	Current	Due 1-12m	Due 13-24 m	Due 25-36m	Total
Trade payables	682	-	-	-	682
Accruals	593	-	-	-	593
Translator costs accrual	2,120	-	-	-	2,120
Deferred consideration	-	523	-	-	523
Contingent consideration	-	1,457	872	-	2,329
Lease liabilities	-	402	489	249	1,140

3,395	2,382	1,361	249	7,387

23. FINANCIAL RISK MANAGEMENT

i) Financial instruments by category (Continued)

31 March 2019

	Assets At Amortised Cost $'000	Liabilities At Amortised Cost $'000	Fair value through Profit or Loss $'000	Total Carrying Amount $'000
Financial assets				
Cash and cash equivalents	17,669	-	-	17,669
Trade receivables	3,908	-	-	3,908
Total	21,577	-	-	21,577
Financial liabilities				
Trade payables	-	(718)	-	(718)
Accruals	-	(809)	-	(809)
Translator costs accrual	-	(1,686)	-	(1,686)
Deferred consideration	-	(230)	-	(230)
Contingent consideration	-	-	(2,153)	(2,153)
Total	-	(3,443)	(2,153)	(5,596)

Maturity analysis

	Current	Due 1-12m	Due 13-24 m	Due 25-36m	Total
Trade payables	718	-	-	-	718
Accruals	809	-	-	-	809
Translator costs accrual	1,686	-	-	-	1,686
Deferred consideration	-	230	-	-	230
Contingent consideration	-	956	1,197	-	2,153
	3,213	1,186	1,197	-	5,596

Financial instruments not measured at fair value

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

Financial instruments measured at fair value

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

Level 3	Notes	2020 $'000	2019 $'000
Financial liabilities			
Contingent consideration liabilities		2,329	2,153

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

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

Quantitative information on significant unobservable inputs – Level 3

The fair value of the Level 3 contingent consideration liability has been determined by discounted cash flow valuation technique. The fair value has been determined with reference to unobservable inputs, including forecast revenue growth as explained in note 16, and cost of debt of 6.4%. A 5% decrease in the forecast revenue input has a $0.4m effect on the contingent consideration liabilities recognised at fair value through profit or loss. This is in relation to the On-Global and NZTC contingent consideration liabilities at year end.

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

ii) Credit Risk

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

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

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

The maximum exposure at reporting date is equal to the total carrying amount of cash and cash equivalents, and trade receivables as disclosed in the Statement of Financial Position. At each reporting date, trade receivables are reviewed for future expected credit losses in accordance with note 30 (e).

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

Trade receivables net of the provision as stated in note 9, include balances more than 30 days past due of $1.091m. The Group has received $0.44m in the post balance date period and has determined that no further impairment of the remaining balance is required.

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

	Rating	2020 $000	2019 $000
AIB	BAA3	953	680
ANZ New Zealand	A1	4,709	13,998
Bankinter	BAA1	898	-
Barclays	BAA2	484	106
BBVA US	A3	270	146
Citibank N.A.	AA3	369	572
Commerzbank	BAA2	349	357
La Caixa	BAA1	1,056	576
NAB	AA3	860	109
Ulster	BAA3	777	431

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations associated with financial liabilities as they fall due. The Group closely monitors its cash inflows and cash requirements to manage the net position in order to maintain an appropriate liquidity position. The Directors consider that with the monies raised from the issue of share capital in the prior year (note 17) that liquidity is sufficient for the foreseeable future. Refer to financial instrument maturity analysis in Note 23 (i).

iv) Foreign currency risk

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

The following significant exchange rates applied during the year:

	Monthly average rate		Reporting date spot rate	
	2020	**2019**	**2020**	**2019**
EUR	0.5800	0.5881	0.5437	0.6065
USD	0.6442	0.6797	0.5965	0.6804

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

	2020	**2019**
	NZD'000	**NZD'000**
EUR	5,389	7,325
USD	3,555	7,600

Sensitivity analysis

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

	2020	**2019**
	NZD'000	**NZD'000**
10% weakening in NZD/EUR	318	403
10% strengthening in NZD/EUR	(541)	(364)
10% weakening in NZD/USD	187	410
10% strengthening in NZD/USD	(-323)	(371)

24. RELATED PARTY TRANSACTIONS

The Group's related parties include its subsidiary companies as disclosed in note 20. All related party transactions within the Group are eliminated on consolidation.

a) Transactions with other related parties during the normal course of business

No other related party transactions were noted during the year.

24. RELATED PARTY TRANSACTIONS (CONTINUED)

b) Transactions with directors and key management personnel

Directors

2020	Director Fees (including disbursements)	Consulting Fees	Employee Benefits - Defined Contribution Plan	Salary & Bonus	Total $'000
Grant Straker	-	-	12	353	365
Stephen Donovan	65	85	-	-	150
Philip Norman	116	-	-	-	116
Tim Williams	65	-	-	-	65
Paul Wilson	66	-	-	-	66
Katrina Johnson	58	-	-	-	58
	370	85	12	353	820

2019	Director Fees (including disbursements)	Consulting Fees	Employee Benefits - Defined Contribution Plan	Salary & Fees	Total $'000
Grant Straker	-	-	11	290	301
Stephen Donovan	46	77	-	-	123
Philip Norman	65	-	-	-	65
Tim Williams	47	-	-	-	47
Paul Wilson	45	-	-	-	45
Katrina Johnson	36				36
James Johnstone	20	-	-	-	20
	259	77	11	290	637

As required by s(211)(f) of the Companies Act 1993, the following key management personnel remuneration was paid out during the year. All amounts are NZD'000.

Key management personnel including the Chief Executive Officer

	2020 $'000	2019 $'000
Employee benefits	1,590	1,325

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. Key management personnel includes the Executive Team.

25. SHARE OPTIONS

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

The options vest at each financial year end. All options are fully exercisable by 31 May 2022.

Reconciliation of outstanding options	Number of Options	Average Exercise Price
Balance at 31 March 2018	124,069	$10.90
Issued during the year pre share split	2,633	$15.19
Balance pre share split	126,702	$10.99
Balance after share split at 10:1	1,267,020	$1.10
Issued during the year post share split	1,122,790	$1.64
Lapsed/Exercised during the year	(95,266)	$1.09
Balance at 31 March 2019	2,294,544	$1.36
Issued during the year	30,000	$1.58
Lapsed/Exercised during the year	(188,953)	$0.99
Balance at 31 March 2020	2,135,591	$1.39

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

Fair Value on grant date	2020 $	2019 $
Share Price at grant date (after share split 10:1)	$1.58	$1.64
Exercise Price	$1.58	$1.64
Expected Volatility	30%	30%
Expected Life	3 years	3 years
Risk Free rate	3%	3%
Black out factor (until 30 September 2020)	25%	25%

Directors
The following directors hold the following number of options as at balance date expressed at a blended average exercise price:

Name	2020 Exercise Price	2020 Number of Options	2019 Exercise Price	2019 Number of Options
Stephen Donovan	$1.41	25,000	$1.32	66,960
Katrina Johnson	$1.41	25,000	$1.32	25,000
Philip Norman	$1.41	91,960	$1.32	91,960
Grant Straker	$1.41	341,960	$1.32	341,960
Tim Williams	$1.41	25,000	$1.32	25,000
Paul Wilson	$1.41	50,000	$1.32	50,000

Stephen Donovan exercised 41,960 share options at $0.596 per share during the current year.

25. SHARE OPTIONS (CONTINUED)

Key management personnel including the Chief Executive Officer
The key management personnel hold the following number of options as at balance date:

	2020 Exercise Price	2020 Number of Options '000	2019 Exercise Price	2019 Number of Options '000
Key management personnel	$1.40	1,375	$1.40	1,417

26. BUSINESS COMBINATIONS COMPLETED IN CURRENT PERIOD

During the year, the Group acquired two subsidiary companies, On-Global Language Marketing Services SL effective from 1 June 2019 and The New Zealand Translation Centre Limited effective from 1 February 2020.

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

An element of the considerations is contingent on the achievement of revenue targets and are detailed in note 17.

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

As disclosed in the Condensed Interim Financial Report for the half-year ended 30 September 2019, the value of the identifiable net assets of the subsidiary companies was determined on a provisional basis as the Group were still obtaining historical information in respect of customers acquired in the acquisitions. Other than adjustments required to account for the fair value of customer list intangible assets and associated deferred tax liabilities, and the subsequent change to goodwill, changes to assets and liabilities acquired consist of allowable offsets and applying appropriate accrual accounting adjustments to the opening balances.

Details of the fair value of identifiable assets and liabilities, purchase consideration and goodwill are as follows. All amounts are NZD'000.

On-Global	Provisional fair value $'000	Adjustment $'000	Final fair value $'000
Cash	903	-	903
Debtors and other receivables	655	-	655
Fixed assets	19	-	19
Intangible assets	31	1,268	1,299
Creditors and accruals	(573)	-	(573)
Deferred tax liability	-	(355)	(355)
Total net assets	1,035	913	1,948
Cash paid (NZD)			2,139
Shares in Straker Translations Limited (note 19)			503
Fair value of contingent consideration liability on acquisition (note 17)			826
Total consideration			3,468
Goodwill (note 11)			1,520

26. BUSINESS COMBINATIONS COMPLETED IN CURRENT PERIOD (CONTINUED)

The New Zealand Translation Centre Limited ("NZTC")
On 1 February 2020 the Group obtained control of NZTC by acquisition of 100% of the share capital of the company.

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 made a provisional estimate of the customer relationship asset in relation to the business combination. Final valuation of any separately identifiable intangible assets, including customer relationships, will be determined by an independent valuer.

The table below summarises the major classes of consideration transferred, and the recognised amounts of assets acquired, and liabilities assumed at the acquisition dates. All amounts are in NZD'000.

Book 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 assets	(100)
Cash paid	171
Shares in Straker Translations Limited (Note 19)	89
Fair value of contingent consideration liability on acquisition (Note 17)	545
Total consideration	805
Provisional goodwill (note 11)	905

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. As noted above, the purchase price surplus shown is a provisional value, which is subject to change.

Goodwill is not expected to be tax deductible.

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

	On-Global $'000	**NZTC $'000**	**Total $'000**
Revenue since date of acquisition	2,394	1,017	3,411
Profit before tax since date of acquisition	151	222	373
If the acquisition date for these business combinations had been 1 April 2019, the pro forma revenue and profit for each would have been:			
Pro forma revenue for the year	2,978	4,831	7,809
Profit before tax since date of acquisition	387	412	799

27. 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 relationship intangible assets and associated deferred tax liabilities, and the subsequent change to goodwill.

Details of the restated fair value of identifiable assets and liabilities, purchase consideration and goodwill are as follows. All amounts are in NZD'000.

COM	**Book value**	**Restated adjustment**	**Restated fair value**
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 contingent consideration liability on acquisition (restated)			675
Total consideration transferred			708
Goodwill (restated)			1,020

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.

27. BUSINESS COMBINATIONS COMPLETED IN PRIOR PERIOD (CONTINUED)

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

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

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

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

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

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

28. RECONCILIATION OF NET PROFIT FOR THE YEAR WITH NET CASH FLOWS FROM OPERATING ACTIVITIES

	Notes	2020 $'000	2019 $'000
Net loss after tax for the year		(2,522)	(4,329)
Adjusted for:			
Non-cash items			
Amortisation of capitalised software development		517	333
Amortisation of computer software		68	48
Amortisation of acquired intangibles		1,155	682
Impairment loss on trade receivables		110	50
Impairment of Intangibles		799	-
Depreciation		678	77
Asset written off		40	10
Imputed interest on deferred consideration liability		110	108
Fair value of contingent consideration liability on acquisition		(553)	(423)
Share options		91	111
Taxation		(289)	(155)
Unrealised foreign currency (gain)/loss		(1,285)	627
Non-operating expenses			
IPO related costs		-	1,953
Acquisition & integration costs		772	593
IFRS 16 Rent Adjustment		(535)	-
Impact of changes in working capital items			
Movement in debtors, prepayments and other debtors		(826)	(920)
Movement in creditors, accruals and other payables		(129)	44
Movement in tax provisions		197	126
Net cash flow from operating activities		**(1,602)**	**(1,065)**

Non-cash investing and financing activities

Significant non-cash transactions included in investing and financing activities include gain on fair value adjustment and unwinding of imputed interest on deferred consideration liabilities, as detailed in note 17.

29. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Consolidation

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

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

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

29. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Consolidation (Continued)

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

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

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

b) Foreign currency translation

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss. Exchange differences realised on settlement of monetary assets and liabilities are also recognised in profit or loss.

On consolidation, the results of overseas operations are translated into New Zealand dollars at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the date of the statement of financial position. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

Exchange differences recognised to profit or loss in Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to other comprehensive income and accumulated in the foreign exchange reserve on consolidation.

c) Goods and Services Tax

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

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

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

29. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial instruments

Non-derivative financial assets
The Group classifies its financial assets as financial assets at amortised cost.

Amortised cost
These assets arise principally from the provision of services to customers (eg trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Non-derivative financial liabilities

Non-derivative financial liabilities comprise trade payables, accruals, translator costs accrual, lease liabilities, deferred consideration liabilities and contingent consideration liabilities.

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

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

- Other financial liabilities

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

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

- Financial liabilities at fair value through profit or loss

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

e) Impairment of assets

Financial assets – trade receivables

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within NZ IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

29. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

e) Impairment of assets (Continued)

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the consolidated statement of comprehensive income (operating profit).

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short term highly liquid investments with original maturities of three months or less.

Non-financial assets

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

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

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

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

Goodwill is tested for impairment annually.

f) Employee benefits

Short Term Employee Benefits

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

29. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

f) Employee benefits (Continued)

Defined contribution schemes

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

Equity settled share option plan

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

STRAKER TRANSLATIONS LIMITED AND GROUP
COMPANY DIRECTORY
FOR THE YEAR ENDED 31 MARCH 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 Boardroom Pty Limited Level 12 225 George Street Sydney NSW 2000
Principal place of business	:	Auckland, New Zealand
Independent Auditor	:	BDO Auckland Auckland
Lawyers	:	Bell Gully Auckland Talbot Sayer Brisbane
Bankers	:	ANZ Bank BNZ Bank NAB Bank
Directors	:	Philip Norman (Chairman) Stephen Donovan Katrina Johnson (resigned 14th April 2020) Grant Straker Timothy Williams Paul Wilson
Company Secretary	:	Laura Newell
Share Registrar	:	Link Market Services Limited Sydney
Company website	:	www.strakertranslations.com

STRAKER TRANSLATIONS LIMITED AND GROUP
NEW ZEALAND COMPANY STATUTORY INFORMATION

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

Entries Made into the Companies Interests Register

Director	Relevant Interest	% of Ordinary Shares Owned 31 March 2020	% of Ordinary Shares Owned 31 March 2019
Stephen Donovan	Ordinary Shares	4.41%	4.37%
Katrina Johnson	Ordinary Shares	0.02%	0.02%
Philip Norman	Ordinary Shares	0.09%	0.10%
Grant Straker	Ordinary Shares	13.82%	13.90%
Timothy Williams	Ordinary Shares	0.22%	0.22%
Paul Wilson	Ordinary Shares	0.47%	0.47%

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

	No. of Employees
$100,000 to $120,000	10
$120,001 to $140,000	3
$140,001 to $160,000	7
$160,001 to $200,000	2
$200,001 to $240,000	10

Donations made

The Group made donations during the year of $nil (2019: nil).