

ASX:STG

STRAKER TRANSLATIONS GROUP

straker

TRANSLATIONS



Annual Report

2020



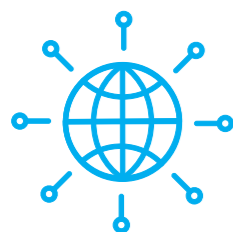
**Straker is a world-leading
Ai data-driven language
translation platform
powering the global growth
of businesses**

**AI POWERED
RAY**

Contents

What We Do	4
Highlights	6
Chairman's Report	8
CEO's Report	10
Powering The Global Growth of Business	12
Advantage Through Proprietary RAY Ai platform	13
Board of Directors	14
Management Commentary	16 - 23
Financial Statements	24 - 72
Corporate Governance Statement	73 - 81
Additional Disclosures	82 - 89
Company Directory	90

What we do



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



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



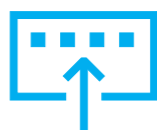
Straker helps major financial institutions deliver quarterly market reports in multiple languages



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



Straker provides subtitling, audio translations and dubbing services to the online movie industry



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



Straker provides speech to text transcriptions for corporate conferences and presentations



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

Highlights

Straker continues to deliver growth



13%
YOY Revenue growth

86%
Repeat revenue

\$27.7m
Group revenue

55%
Media revenue growth

(\$ 0.58m)
Adjusted EBITDA¹

\$11.2m
Cash at bank



Powering
the global growth
of businesses

1. Adjusted EBITDA is a non-IFRS measure. Refer to pages 16 and 21 for reconciliation and explanation to IFRS financial information

Chairman's Report

Overview

The financial year ended 31 March 2020 (FY20) was another successful year for Straker with solid revenue growth, improved gross profit and stable EBITDA. The Company successfully concluded two strategic acquisitions, grew its Enterprise and Media business, and accelerated investment in its technology platform given the substantial growth opportunities available.

Financial Performance

Revenue in FY20 was up 13% to NZ\$27.7 million, and pre-COVID-19 was tracking to achieve a run-rate of NZ\$40 million (if an acquisition had not been paused). Importantly, repeat revenues increased 18% during FY20 to NZ\$23.9 million and represented 86% of overall revenue. Reflecting the Company's strategy to focus on its Enterprise and Business customers, average project revenue continued to increase, and as at 31 March 2020 was up 18%.

The number of business customers using our proprietary Ai powered RAY translation platform was up 23% to 2,650. Not only does the RAY platform increase the speed at which customers can translate projects and deliver substantial savings to them, it also delivers increased gross margin as more work is moved onto the platform from acquired companies. Gross margin on the RAY platform currently sits at 56% and underpinned an overall 55% gross margin of NZ\$15.2 million.

On a non-IFRS financial performance basis, the Company produced an Adjusted EBITDA loss of NZ\$(0.58) million, an increase of NZ\$(0.4) million on FY19. The change reflected our shift in focus to attract Enterprise customers, continued R&D investment to expand our footprint in the Media industry, and the costs of being a listed company, offset by the effects of the new IFRS 16 lease standard.

The loss from trading operations* of NZ\$(2.4) million was an increase on the FY19 comparable loss of NZ\$(0.8) million. The FY20 result included NZ\$(0.8) million related to increases in depreciation and amortisation and re-structuring costs from right-sizing to respond to COVID-19.

In addition, NZ\$0.8 million of goodwill related to the Group's subsidiary Elanex was impaired in FY20 as a result of a current banking customer closing its investment banking arm, which we provided translation services for, as well as the likely impacts of COVID-19 on this part of the business.

The loss after income tax was NZ\$(2.5) million, which was an improvement of \$1.8 million on FY19.

Stable Cashflows and Strong Balance Sheet

Operating net cash outflow of NZ\$(1.6) million was up NZ\$(0.5) million on last year as the Company continued to progress its strategy to focus on the Enterprise and Media sectors, invest in R&D and re-structure the business to achieve cost synergies.

While larger in size, Enterprise and Media projects have longer sales duration times.

The Company continues to have a strong capital position with NZ\$11.2 million cash at bank at 31 March 2020 and no debt, other than the deferred and contingent consideration in respect of acquisitions and lease liabilities recognised under IFRS 16.

Business Strategy

Straker's goal is to be a world leading Ai data-driven translation business and we will achieve this ambition through a combination of organic growth and the acquisition of other translation companies that add revenue scale and key customer relationships in strategically important categories, geographic diversity, operating leverage through the use of Straker's proprietary RAY technology platform, and additional human capital.

Over the last twelve months, the Company has increased its focus on larger Enterprise customers and grew the number of such customers by 70% to 56 at year-end. This focus will remain a key element of the Company's growth strategy going forward and as we enter FY21, the pipeline of Enterprise opportunities is strong.

Our Media business is rapidly gaining momentum, increasing 55% on FY19, and we now have several important customer relationships with US-based global media organisations that we service both directly via our Burbank, California office and with key technology partners such as AppTek. We expect these Media relationships to be a major area of growth for Straker and we will continue to invest in our specialised Ai powered RAY Media platform to support this growth.

COVID-19 Pandemic

Over April and May 2020 (the first two months of FY21) there has been a small decline in core customer sales orders, but these remain at the same level as sales orders for the first two months of FY20. This decline has, however, been offset by a number of one-off projects undertaken for customers in response to the pandemic, for example, providing sub-titled video services as organisations move conferences online.

Our response to COVID-19 was swift, seeing us quickly shift all staff to a working from home mode without affecting our excellent customer service levels. We have also taken a number of steps to reduce costs across the business, including temporary salary cuts for nearly all staff, Management and Board members.

We also temporarily paused M&A activity following the onset of the pandemic. This impacted one European acquisition opportunity that was at an advanced stage of negotiation,

but our team is maintaining contact with the owners of that business and expect to re-engage once the impact of COVID-19 is clearer. Our pipeline of M&A prospects remains strong and we are confident that as the pandemic subsides more attractive opportunities will emerge. Based on the Company's performance over the first two months of FY21 and what we can see ahead, we believe revenue will be stable over FY21 relative to FY20.

Management and Governance

We are fortunate to have a talented and committed Management team, which has remained unchanged during FY20. Led by Grant Straker, our CEO and Co-founder, this team has delivered a strong FY20 result, secured another two acquisitions, reacted quickly and positively to an unexpected pandemic, and positioned the business for further organic and acquired growth in FY21 in a what is expected to be a challenging market environment.

The Board of Directors also remained unchanged during the year. However, on 14 April 2020, Katrina Johnson, resigned as a Director and I thank her for the input she has provided during her tenure and wish her well in her future endeavours. The Nominations and Remuneration Committee will seek a replacement for Katrina as soon as the COVID-19 pandemic subsides.

On behalf of the Board, I would like to thank the Company's senior leadership team and all our staff across the globe for their hard work during FY20. I would also like to express my thanks to my fellow Directors for their support over a very busy FY20.

Lastly, I would like to thank all our shareholders for their ongoing support over the last year. We are looking forward to delivering on the attractive opportunities we see for the business moving forward and growing shareholder value.



Phil Norman
Chairman

* Loss from trading operations before amortisation of acquired intangibles, acquisition and integration costs, impairment of intangible assets and IPO related costs

CEO Report

FY20 saw Straker Translations continue on the growth trajectory established in FY19, following our ASX listing in October 2018.

Key Achievements

Delivered continued growth

- Delivered continued growth
- Revenue up 13% to NZ\$27.7 million
- Repeat revenue up 18% and now accounting for 86% of all revenue
- 55% increase in Media revenue
- Improved gross margin of 55%
- Stable EBITDA result in line with expectations
- Strong balance sheet, with NZ\$11.2 million cash and no debt.

Completed two M&A transactions

- On-Global Language Marketing SL (On-Global), based in Vitoria-Gazteiz and Barcelona in Spain, further expanding the Company's reach into the industrial Enterprise market in Europe
- New Zealand Translation Centre Limited (NZTC International), which does the same thing in the APAC region.

Deepened our penetration into the Media market

- Secured key customer relationships via past acquisition COM Translations Online SL (COM)
- Entered a strategic partnership with US software company, Applications Technology (AppTek)
- Developed a specialised Ai powered RAY Media technology platform specifically for the Media market.
- Grew our Enterprise customer base by 70% to 56 such customers at 31 March 2020. While the sales cycle to secure Enterprise customers is longer, these customers generate more repeat revenue and are relatively "sticky".
- At the end of the year, we responded quickly and effectively to the COVID-19 pandemic, in so doing ensuring the safety and wellbeing of our staff was paramount but also rapidly adapting our business practices to protect core revenues, capture new opportunities arising out of the pandemic and decrease our cost base.

Strategic Priorities

We continue to maintain our ambition to become a NZ\$100 million revenue business within three years. This will be driven by:

- A continuing focus on Enterprise business – large global businesses that are looking for relationships with vendors that can deliver translation services rapidly and at scale across multiple geographies. We will concentrate account management resources on existing customers and deploy additional sales capability internationally to win new customers.
- An increased commitment to the US\$97 billion Media market to ensure that we continue to meet the specialised needs of this rapidly growing business area. The leading-edge functionality of our Ai powered RAY Media platform has already allowed us to secure major projects with some of the world's largest media production houses and as we are now one of the pre-eminent technology providers for the localisation of media content, we expect a growing stream of revenue from the Media market.
- A growing focus on key strategic partnerships that provide opportunities to collaborate with other technology providers that have a need to incorporate data-driven Ai powered translation capability into their offerings. The relationship with AppTek, which is a world-leader in next generation Ai and machine learning technologies for automatic speech recognition, neural machine translations and natural language solutions is an example of a partnership where the integration of AppTek's technology into Straker's Ray platform will improve the speed, automation and accuracy of the platform, delivering enhanced commercial outcomes for the Company's Media customers.
- An accelerating investment in our Ai powered RAY technology platform. The use of artificial intelligence to process the massive volumes of data now generated from the projects we undertake for our customers has become a major point of differentiation for Straker and allows us to deliver larger projects to customers faster and at better gross margins.
- M&A will continue to be a major plank of our growth strategy. The acquisitions of On-Global and NZTC International during FY20 were strategically important. Given prior acquisition and integration experience, we have been able to integrate these two companies very quickly and improved margins in both businesses. While we have paused our M&A efforts in the near-term, we are taking this time to further evaluate different opportunities in our pipeline.

Outlook for FY21

The effect of COVID-19 will have an impact on FY21, but the scale of that impact is difficult to assess at this point in time. However, based on the results from the first two months of trading in FY21, we are optimistic that the Company's revenue performance will be stable relative to FY20.

We also anticipate that when business returns to a more normal rhythm as the pandemic subsides, that M&A opportunities will once again surface, potentially in greater numbers and at more attractive prices.

We are committed to having one of the best translations platforms available globally and will leverage our strong balance sheet to develop world-leading capability that allows us to offer innovative, Ai powered solutions for our customers.

We look forward to progressing all our strategic initiatives as we take further steps to becoming a NZ\$100 million revenue business. This, of course, will only be possible with the assistance of our great team of people that are now located in seven different countries and I thank them all for their commitment and passion, particularly in the difficult COVID-19 environment in which we are currently operating.

I would like to thank the Board for their support during the year and express my appreciation to all shareholders for your continuing support. I am excited by the opportunities I see for our business and look forward to sharing further successes with you.



Grant Straker
CEO and Co-founder

Powering the global growth of business

Many of the big opportunities for business globally are in emerging markets. With the growth of e-commerce and the internet making it easier to launch products into new markets, the growth in global content continues to accelerate. There are now over 4 billion internet users in the world and more than 90% are in countries where English is not the native language.

For companies looking to sell more internationally, streamlining, speeding up and simplifying the translation process are all critical decision criteria when selecting a vendor. Providers that can offer advanced technology along with a global service delivery capability are attractive to these companies and this is where Straker has strongly differentiated itself in the translation services eco-system. Existing providers with legacy systems and a lack of global service capacity will increasingly struggle to deliver the translation solutions customers are looking for, and this presents a very large opportunity for Straker.

We have proven our ability to deliver advanced translation process automation cost-effectively and at scale for some of the world's leading global companies. Our data-driven systems, made possible through our unique approach to solving and scaling the translation of documents, websites, technical manuals, videos and much more, has enabled our customers to grow their international operations faster.

Looking forward, we see a growing need for both SMEs and large enterprises to use our technology and services to enable seamless growth without communication as a barrier.



Advantage through proprietary RAY Ai platform

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

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

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

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

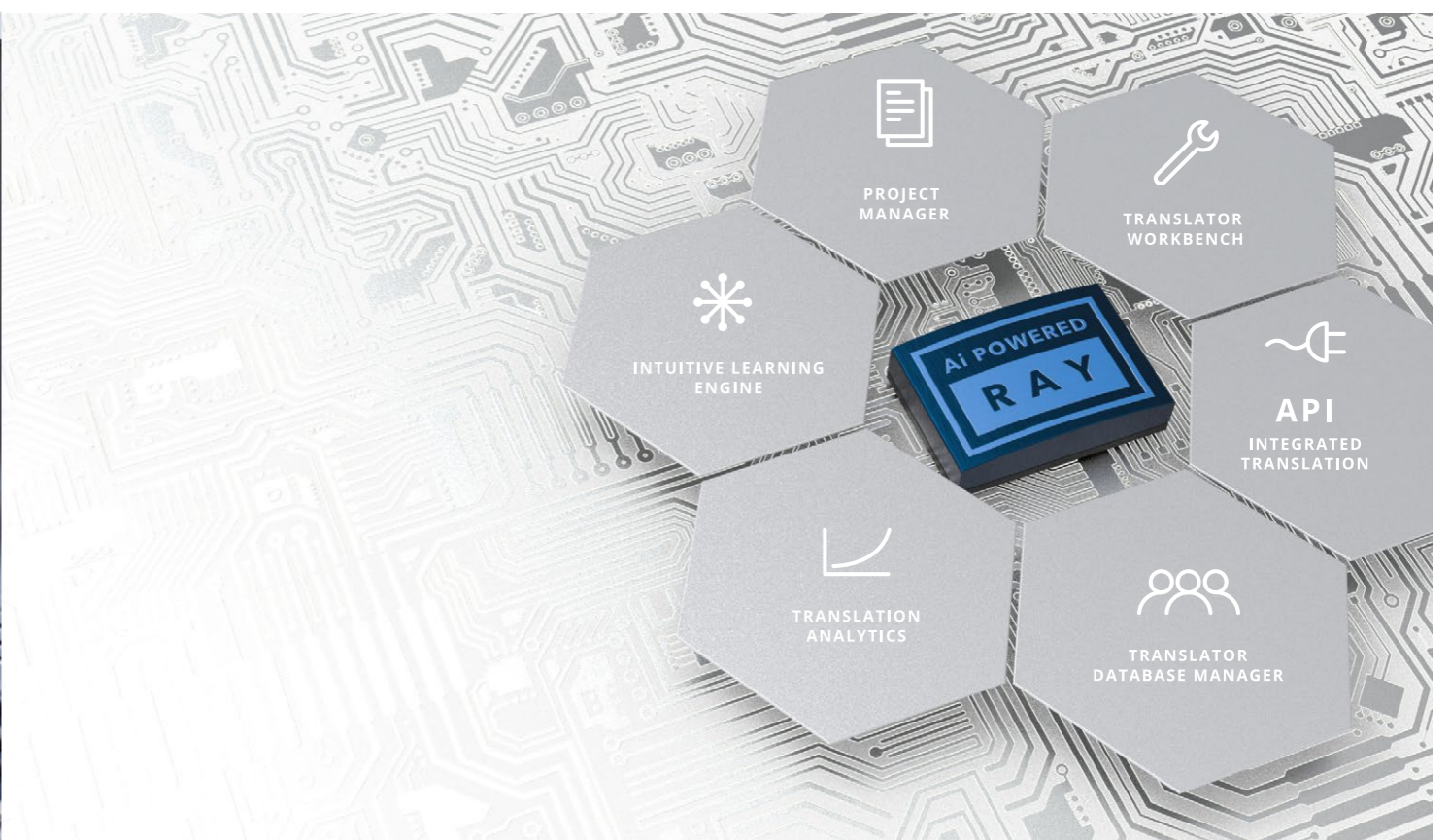
The proprietary Ai RAY platform allows Straker to operate a single global team all concurrently working on the same

system. This provides operating efficiency and allows the Company to acquire new businesses and still retain a "one team, one platform" approach across all its offices.

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

Straker has recently partnered with AppTek, a leading provider of machine learning and automated speech-to-text recognition software. Integration of AppTek's software into Straker's Ai RAY technology platform is now complete and along with the other advances being made to the Company's RAY media platform, this AppTek integration allows Straker to offer the media localisation industry a world-leading, fast, simple and scalable service.

Our Media services now include subtitling, audio translations and dubbing for the online movie industry as well as speech to text transcriptions for corporate conferences and presentations.



Board of Directors



Phil Norman

Independent Non-Executive Chairman

Phil was appointed the Non-Executive Chairman of Straker on 13 January 2014.

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

Phil's other current director roles include the Independent Chairmanship of Loyalty New Zealand Limited (New Zealand's largest loyalty company and operator of Fly Buys), Chair of NZX listed Plexure Group Limited (a customer engagement software company), Chair of Touchpoint Group Limited (a software company specialising in customer interaction platforms), and Parallo Limited (an IT services business).

Phil is a past Chairman of the New Zealand Private Equity and Venture Capital Association and was for six years a member of New Zealand Trade and Enterprise's New Zealand Beachheads Advisory Board.

Phil holds an MBA from the University of Auckland and is a Chartered Member of the New Zealand Institute of Directors.

Grant Straker

CEO and Co-founder

Prior to founding Straker in 1999, Grant served in the British Army as an elite paratrooper.

As a co-founder of Straker, Grant has extensive experience in the language translation market.

Grant was appointed to the board on 21 December 1999.

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

Grant is a member of the NZ Institute of Directors.

Along with Merryn Straker, Grant was the winner of the 2018 master category for NZ Entrepreneur of the Year.

Tim Williams

Independent Non-Executive Director

Tim was appointed a Non-Executive Director of Straker on 24 June 2015.

He founded ValueCommerce Co. Ltd in 1996.

Tim is one of the original pioneers in the Japanese internet and advertising industry. His vision and record of achievement are demonstrated by the success and growth of ValueCommerce Co. Ltd. Tim founded ValueCommerce, an internet affiliate marketing company, selling a 49% stake to Yahoo Japan in 2005. Subsequently in 2007, ValueCommerce was listed on the Tokyo Stock Exchange.

Tim is also a Director of The Icehouse, The University of Auckland's technology incubator, and is a General Partner in The Icehouse linked fund Tuhua Ventures, which invests in high-growth start-ups in New Zealand.

Tim holds a Bachelor of Science (Hons) in molecular genetics from the University of Canterbury.

Katrina Johnson

Independent Non-Executive Director

Katrina was appointed a Non-Executive Director of Straker on 3 July 2018.

Katrina has over 15 years of specialist in-house legal experience within technology companies, including executive leadership and board roles.

Katrina joined Uber in April 2015 after spending 12 years with the eBay group of companies in Australia and the United States. She led the Uber legal team for Asia Pacific and was a member of Uber's APAC Regional Leadership Team until December 2019. In March 2020, Katrina took up the role of General Counsel for WiseTech Global, an ASX listed logistics software company.

Katrina holds BA and LLB (Hons) degrees from Macquarie University, and a Graduate Diploma of Legal Practice from the College of Law, NSW. She is also a member of the Australian Institute of Directors.

Katrina resigned as a Straker Director on 14 April 2020.

Steve Donovan

Non-Executive Director

Steve was appointed a Non-Executive Director of Straker on 1 December 2004.

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

Steve has significant experience as a director and investor in the SME sector in New Zealand, including a Finance Director role at accounting software provider, Greentree Software Group, which was sold to MYOB in 2016. Other current directorships include, Buro Seating Limited (office chair wholesaler) and New Zealand Pure Dairy Products Limited (infant formula manufacturer).

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

Steve holds a Bachelor of Economics from the University of Lancaster and is a qualified Chartered Accountant and a current member of the Institute of Chartered Accountants in England and Wales.

Paul Wilson

Non-Executive Director

Paul was appointed a Non-Executive Director of Straker on 22 September 2015.

He is a co-founder of ASX listed Bailador Technology Investments (which is a major shareholder of Straker). He has had extensive private equity investment experience as a director of CHAMP Private Equity in Sydney and New York, with MetLife in London, and as executive director at media focussed investment group, Illyria.

Paul is a director of SiteMinder, Stackla, the Rajasthan Royals IPL cricket franchise and ASX listed Vita Group Limited.

Paul holds a Bachelor of Business (Banking and Finance), from Queensland University of Technology and is a Fellow of the Financial Services Institute of Australia, a Member of the Institute of Chartered Accountants of Australia and a Member of the Australian Institute of Company Directors.

Management Commentary

The following commentary should be read in conjunction with the consolidated financial statements and the related notes in this report. Some parts in this commentary include forward looking statements and information on strategy and plans for the business that involve risks and uncertainties. Actuals events and the timing of events may vary.

All amounts are presented in NZD unless otherwise stated. Straker is a New Zealand incorporated company and has a 31 March year end balance date. References to FY20 refer to the year ended 31 March 2020 and FY19 year ended 31 March 2019.

Non-IFRS measures

To ensure that the presentation of results fully reflect the underlying performance of the business, Straker Translations Group publishes its key metrics on a non-IFRS basis as well as on an IFRS basis. For transparency purposes, Straker also publishes full reconciliations between IFRS and non-IFRS measures. IFRS refers to NZ IFRS.

Repeat business is revenue from repeat customers (customers who have previously placed an order with Straker, many of whom are enterprise in nature).

Non-operating costs include costs of re-structuring activities, IPO costs and other non-recurring consulting costs. The non-IFRS measures have not been independently audited or reviewed.

The obligation to prepare a Directors' Report in section 298 of the Australian Corporations Act 2001 (CA) does not apply to Straker as a NZ company. However the ASX Listing Rules include a separate requirement (ASX LR 4.10.17) requiring all listed entities to include an operational and financial review statement in their Annual Reports which is equivalent to the general information requirements set out in s 299 and 299A of the CA. This Management Commentary section is intended to meet this requirement.

Company Background

Based in New Zealand, Straker Translations has established itself as a world-leading Ai data-driven translation platform powering the global growth of businesses.

Straker has developed a hybrid translation platform that utilises a combination of Ai, machine-learning and a crowd-sourced pool of freelance translators. The Company's cloud-based platform manages the end-to end translation process, leveraging Ai, machine-learning (both inhouse and third party owned engines) to create a first draft translation and subsequently matching the customer's content with one or more of the approximately 13,000 crowd-sourced human freelance translators for refinement.

This process is managed using Straker's proprietary RAY Ai platform, which has been developed over eight years and is an enterprise grade, end-to-end, cloud-based platform. By leveraging machine translations and its big data assets, the RAY Ai platform enables the delivery of faster and more accurate translations, lowering the time and cost to deliver versus traditional translation services. The platform can be integrated directly into customers' systems and consists of a customer dashboard, machine translation integration and modules for assisting and managing translators.

Industry

Straker operates in the language services industry, providing a platform for the translation of written content in both offline and online form. Typical content translated includes product brochures, operating manuals, legal documents and websites. In a report commissioned by Straker, industry research company Frost & Sullivan estimated that the global market size for all language services was US\$43 billion in 2017, and is expected to grow to US\$67 billion in 2022, representing an estimated CAGR of over 9%. The translations segment within language services is forecast by Frost & Sullivan to represent 69% of the total industry in 2018, representing a market in excess of US\$30 billion in size. Key drivers behind the growth of the industry include:

- the increasing level of globalisation, accompanied by the need for localisation of content;
- the rapid increase in content produced, both online and offline, providing an ever-increasing base of content which may require translation
- the economic emergence of new markets with specific language requirements
- regulatory authorities mandating translation of content, particularly in the European Union.

Competitive Positioning

The translation services market is highly fragmented with thousands of small companies across the globe offering personalised services to customers in local geographies. Such companies rarely utilise technology-driven translation platforms and are, therefore, relatively inefficient compared to Straker. These companies are ideal Straker acquisition targets as we can secure margin improvements from our sophisticated RAY Ai platform and synergy benefits from geographic consolidation.

As Straker scales its business, its ability to enhance its offerings will improve, allowing it to compete more effectively for enterprise customers with larger competitors in areas such as video streaming, mobile apps and e-commerce. At this part of the translation market, there is a relatively small number of larger players and Straker is now well positioned to compete with these companies based on its world-class technology capability, its service strength and its global footprint.



Significant changes in the year

During the FY20 year the Company made two acquisitions, On-Global Language Marketing SL (On-Global) and The New Zealand Translation Centre Limited (NZTC), which contributed 12% of the Company's revenue for the year.

Straker's Value Proposition

The explosion and speed of content creation today means there is more content being created than all the human translators in the world can translate effectively. We could see this happening nearly a decade ago and knew that machines and humans together would be the future of the industry. That point has now arrived and, utilising our world-class RAY Ai platform and our global services capability, we are able to deliver solutions to customers that legacy providers in the industry have no ability to match. Our value proposition is based around:

- How we can simplify the translation process - from rapid quoting to advanced customer dashboards and fully integrated API connectors
- How we are able to deliver better value through our platform

and our ability to offer differentiated delivery and pricing models

- With offices in twelve countries around the globe offering 24/7 delivery capability and services utilising more than 13,000 translators means we have scale on tap and can deliver large and urgent projects without issues
- Speed is now a major consideration for customers so our ability to deliver projects within a short timeframe is of huge value. This includes our ability to automate and make the process frictionless as well as the way we can increase the speed of the actual translation.

The combination of our world-class sales and support teams, advanced technology and our geographical reach is a compelling proposition for both large and small customers. With a growing development team, we are continuing to invest in R&D and continue to find more ways to increase the efficiency of the translation process and integration of acquired companies.

Management Commentary

continued

Operating Revenues

Straker primarily generates revenue from its customers for the provision of translation services. Services are primarily charged on a rate per word basis with the rate varying depending upon the language pair. The Company also generates revenues from Media and interpretation services, which are not currently material from a segment disclosure perspective.

The Company operates globally across three main regions, Asia Pacific (APAC), Europe (EMEA), and North America (NAM) and categorises its revenue into two broad groups, 1. new business revenue and 2. revenue from repeat customers (customers who have previously placed an order with Straker, many of whom are enterprise in nature).

Revenue Growth

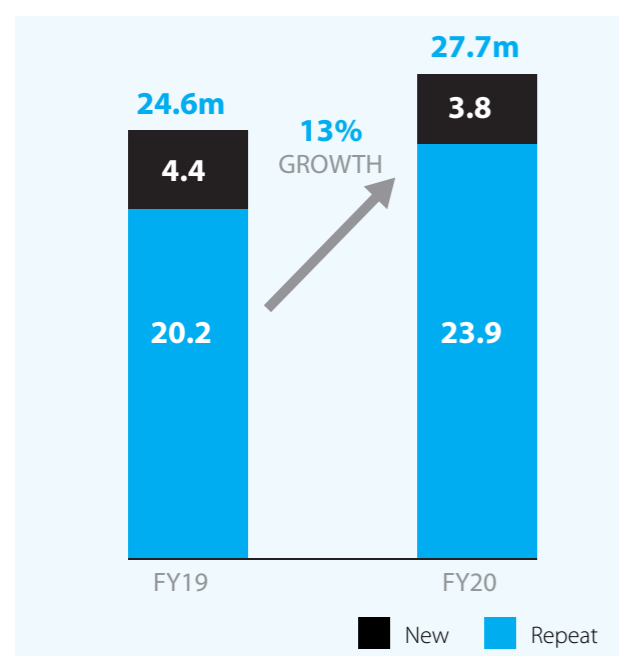
	FY20 \$'000	FY19 \$'000	Change
New	3,838	4,415	-13%
Repeat	23,899	20,179	18%
Translation revenues	27,737	24,594	13%

Revenues grew by 13% in FY20 and reflect the strategic shift the Company has made towards Enterprise customers which, together with other business customer revenues, were up 18% for the year.

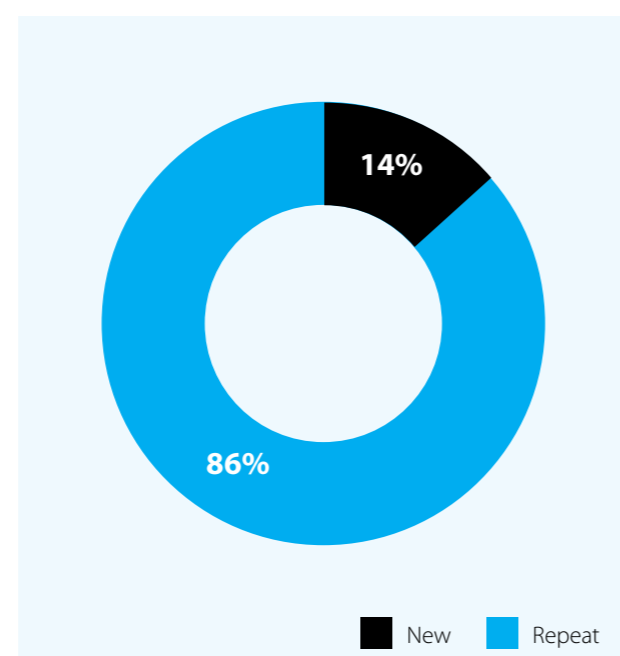
Repeat revenues grew by 18% and made up 86% of the mix for the year. The growth in repeat revenues means that the Company is more likely to have consistent revenues moving forward.

New business revenues were affected by the Company's strategic decision to focus on selling more to Enterprise customers and to not activity target smaller translation customers. As a result, the new business segment was down on FY19.

FY20 Revenue Growth



FY20 Revenue Mix



Revenue by Region

	FY20 \$'000	FY19 \$'000	Change
APAC	3,993	3,620	10%
EMEA	14,787	12,520	18%
NAM	8,956	8,454	6%
Translation revenues	27,737	24,594	13%

APAC grew 10% during FY20, on the back of the recently acquired NZTC entity.

In EMEA, Straker grew from expanding technology enabled translation services offered to a number of existing Enterprise customers. This was made possible by the use of the RAY Ai platform. The region also experienced some cyclical sales order downturn due to the nature of the project-based translation industry. Contributions from the previous year's acquisitions, as well as On-Global, purchased during the year also contributed to EMEA's revenue growth.

Growth in North America was up 6% on FY19, driven by an increase in Media services in the region – which were up 55% on a like for like basis, offset by the impact of a major banking customer closing down its investment banking division and the shift in emphasis away from small customers.

COVID-19 had a slight adverse impact on the March 2020 results across all major markets.

Gross Margin

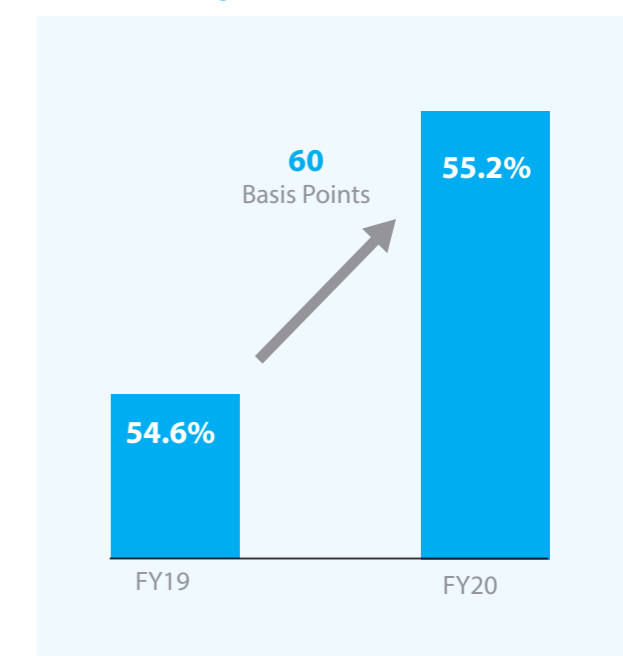
	FY20 \$'000	FY19 \$'000	Change
Translation margin	55.2%	54.6%	0.5%
Other margin	51.2%	51.0%	0.2%
Gross Margin	54.8%	54.6%	0.2%

Straker continues to improve gross margin by feeding more translation volume through the RAY Ai platform.

The reported gross margin, which included the Media business, improved by 0.2% to 54.8% against the previous reporting period. The translation related gross margin, excluding Media work, was up 0.5% year-on-year to 55.2%, driven by the operating leverage gained through Straker's world-class RAY Ai platform.

Straker processed an additional 25% of translation content through the RAY Ai platform and the Company continued to produce gross margin levels of 56%. A small proportion of revenue was not processed through the RAY platform during the year, and this yielded a lower gross margin. Content processed through the RAY Ai platform yields higher margins.

Translation margin



Management Commentary

continued

Statutory Results

	FY20 \$'000	FY19 \$'000	Change
Translations revenue	27,737	24,594	13%
Gross Margin	15,200	13,425	13%
<i>Gross Margin %</i>	<i>54.8%</i>	<i>54.6%</i>	<i>0.2%</i>
Other Income	62	81	-
Depreciation & Amortisation	(1,264)	(459)	175%
Operating expenses excluding D&A	(16,377)	(13,837)	18%
Operating expenses	(17,641)	(14,296)	23%
<i>Percentage of operating revenue</i>	<i>64%</i>	<i>58%</i>	<i>5%</i>
Loss from trading operations*	(2,379)	(790)	-201%
<i>Percentage of operating revenue</i>	<i>-9%</i>	<i>-3%</i>	<i>-5.4%</i>
Amortisation of acquired intangibles	(1,155)	(682)	69%
Acquisition & Integration costs	(772)	(594)	30%
Impairment of intangible assets	(799)	-	N/A
IPO related costs	-	(1,953)	N/A
Operating loss before net finance income / (expense)	(5,104)	(4,018)	-27%
Net Finance income / (expense)	2,392	(466)	414%
Loss before income tax	(2,712)	(4,484)	40%
<i>Percentage of operating revenue</i>	<i>-10%</i>	<i>-18%</i>	<i>8.5%</i>
Income tax credit	190	155	22%
Net loss after tax	(2,522)	(4,329)	42%

The Company's financial performance for FY20 reflected the strategic targeting of more translation services to Enterprise customers, as well as its expansion into the Media market through its previous acquisition of COM Translations Online SL and the launch of the RAY Media platform.

Revenue was up 13% year-on-year to NZ\$27.7m, reflecting growth from both Enterprise customers in EMEA and the Media business, and from part-year revenues from acquisitions completed in FY20.

On a dollar basis, gross margin was up 13% year-on-year to NZ\$15.2m.

Operating costs, excluding depreciation and amortisation, of NZ\$16.4m were up 18% on FY19 due to the cost base brought on from acquired businesses, business re-structuring costs incurred to lower the future cost base, listed Company compliance costs, and investment in the R&D team.

The higher revenue and margin, combined with an increase in operating costs, produced a loss from trading operations before amortisation of acquired intangibles, acquisition and integration costs and impairment of intangible assets of (\$2.4m); an increase on the FY19 comparable loss of (\$0.8m).

The Company impaired \$0.8m of goodwill related to the Group's subsidiary, Elanex, as a result of a current banking customer closing its investment banking arm, which Straker provided translation services for, as well as the likely impacts of COVID-19 on this part of the business.

The loss before income tax was (\$2.7m), which was a 40% improvement on the FY19 loss of (\$4.5m).

* Loss from trading operations before amortisation of acquired intangibles, acquisition and integration costs, impairment of intangible assets and IPO related costs

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)

	FY20 \$'000	FY19 \$'000	Change
Operating loss before net finance income/ (expense)	(5,104)	(4,018)	-27%
Add:			
Depreciation & amortisation	1,264	459	175%
Amortisation of acquired intangibles	1,155	682	69%
Impairment of intangible assets	799	-	N/A
EBITDA	(1,887)	(2,878)	34%
<i>EBITDA Margin</i>	<i>-6.8%</i>	<i>-11.7%</i>	<i>4.9%</i>
Acquisition & Integration costs	772	594	-30%
Other non-operating costs	534	172	-211%
IPO related costs	-	1,953	N/A
Adjusted EBITDA	(581)	(159)	-265%
<i>Adjusted EBITDA Margin</i>	<i>-2.1%</i>	<i>-0.6%</i>	<i>-1.4%</i>

The Company's EBITDA loss for FY20 was impacted by one-off costs associated with acquiring and integrating four businesses and from re-structuring activity to reduce the future cost base.

On an underlying basis, after adjusting for the impact of the items mentioned above, Straker produced an Adjusted EBITDA loss of (\$0.58m), an increase of (\$0.4m) on FY19. The change reflected the Company's shift in strategic focus to attract Enterprise customers, while investing in research and development to expand its footprint in the Media industry as well as bearing the costs of being a listed company, offset by the effects of the new IFRS 16 lease standard - see note 2b to the financial statements for further explanation.

EBITDA and Adjusted EBITDA are non-IFRS measures. Management believes Adjusted EBITDA reflects the underlying operating performance of the business.

Non-operating costs include costs of re-structuring activities, IPO costs and other non-recurring consulting costs. The non-IFRS measures have not been independently audited or reviewed.

Management Commentary

continued

Cash flow	FY20 \$'000	FY19 \$'000	Change
Receipts from customers	27,124	23,900	13%
Other operating cash flows	(28,727)	(24,965)	15%
Operating cash flow	(1,603)	(1,065)	-51%
Capital Investment	(1,441)	(839)	-72%
Free cash flow	(3,044)	(1,904)	-60%
Investment in Acquisitions	(2,197)	(2,748)	20%
Investing cash flow	(2,197)	(2,748)	20%
Net capital raise	(157)	16,828	-101%
Lease Liability	(535)	-	NA
Deferred consideration payments	(1,511)	(1,559)	3%
Net Financing cash flow	(2,202)	15,269	-114%
Net cash flow	(7,443)	10,617	-170%
Open bank balance	17,669	7,824	
Foreign exchange	1,001	(772)	
Closing bank balance	11,227	17,669	-36%

Receipts from customers were up 13% to \$27.1m which remains closely aligned to revenue growth.

Operating cash outflows of (\$1.6m) were up (\$0.5m) on FY19, driven by the operating performance and increased re-structuring costs, offset by the impact of the new IFRS16 lease standard.

Free cash out-flows were up (\$1.1m) due to the operating outflow and the Company continuing to invest in the RAY Ai platform, the new RAY Media platform and in modernising computer hardware in acquired companies to enable staff to work the agile Straker way. The Company now spends approximately 10% of revenues on R&D. In the FY20 year Straker capitalised \$1.2m of software related assets that will help to drive growth in the business moving forward.

Continued investment in acquisitions, with the purchase of On-Global and NZTC throughout the year.

Straker issued a small amount of share capital during the year which was related to employees and Directors exercising share options. This amount, included in net capital raise in the summary above, was offset against executive bonuses that were paid out in FY20 in relation to the capital raising associated with the successful ASX IPO in FY19.

Straker continues to make deferred consideration payments to ex shareholders of acquired companies demonstrating the success of the acquisition strategy for all parties involved.

The Company is in a strong financial position to weather the effects of the COVID-19 global pandemic and continues to deliver on its M&A strategy and support organic growth, with NZ\$11.2m cash at bank and no debt other than deferred consideration in respect of acquisitions.

Strategy to deliver growth

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

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

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

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

Acquisition Rationale

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

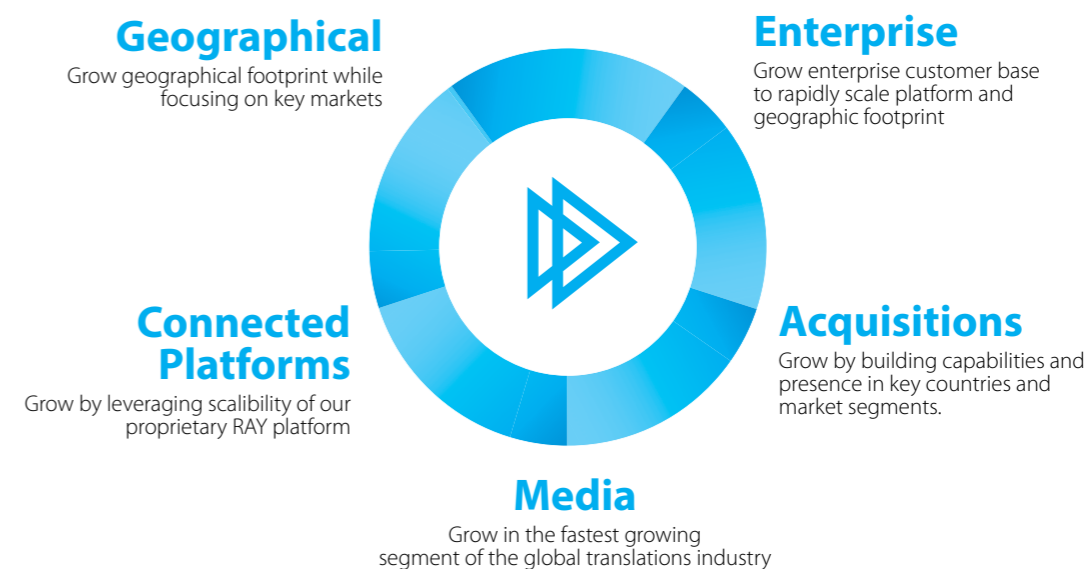
Securing new customer relationships via acquisitions is frequently easier than developing these relationships via organic sales activity and, once acquired, Straker can offer these customers more innovative solutions that will provide productivity improvements and expansion opportunities.

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

Media Spotlight

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

To give our innovation scale, Straker is working on five strategic areas of focus:



Straker Translations and Group Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

Financial Statements Contents

Directors Responsibility	27
Audit Report	28 - 31
Financial Statements	
Income Statement	32
Statement of Changes in Equity	33
Statement of Financial Position	34
Statement of Cash Flows	35
Notes to the Financial Statements	
General Information	
1. Reporting entity and statutory base	36
2. Basis of Preparation	36 - 38
Performance	
3. Segment Reporting	38 - 39
4. Revenue	40
5. Operating Expenses	40
6. Net Finance Income	41
7. Income Tax Expense	42 - 43
8. Earnings per shares	43
Operating Assets and Liabilities	
9. Trade Receivables	44
10. Other Assets , Prepayments and Contract Assets	44
11. Intangible Assets	45 - 49
12. Plant & Equipment	50 - 51
13. Right-Of-Use Assets	51
14. Trade Payables	51
15. Sundry Creditors and Accruals	52
16. Employee Provisions	52
17. Lease Liabilities	52 - 54
Funding and risk	
18. Consideration liabilities	55-56
19. Share Capital	57
20. Capital Management	58
21. Events After the Reporting Date	58
22. Financial Risk Management	58 - 62
Group Structure	
23. Group Subsidiaries	63
24. Business Combinations Completed in Current Period	63 - 65
25. Business Combinations Completed in Prior Period	66 - 67
Other Information	
26. Cashflow Reconciliation	67
27. Related Party Transactions	68
28. Share Options	69 - 70
29. Significant Accounting Policies	70 - 72

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



BDO Auckland

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

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.

How The Matter Was Addressed in Our Audit

- 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.

4

Independent Auditor's Report

to the shareholders of Straker Translations Limited



BDO Auckland

Goodwill impairment (continued)

Key Audit Matter

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.

How The Matter Was Addressed in Our Audit

- 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

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 24 (business combinations completed in the current period) and note 25 (business combinations completed in the prior period) of the consolidated financial statements.

How The Matter Was Addressed in Our Audit

- 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.

5

Independent Auditor's Report

to the shareholders of Straker Translations Limited



BDO Auckland

Contingent acquisition consideration

Key Audit Matter

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 18.2 (contingent consideration liability), note 22 (financial risk management), and note 24 (business combinations completed in the current period) of the consolidated financial statements.

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.

How The Matter Was Addressed in Our Audit

- 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

Independent Auditor's Report

to the shareholders of Straker Translations Limited



BDO Auckland

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

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	24	(772)	(593)
Impairment of intangible assets	11	(799)	-
IPO related costs		-	(1,953)
Operating loss before net finance income/(expense)	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

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Notes	Share Capital	Accumulated Losses	Share Option Reserve	Foreign Currency Translation Reserve	Total Equity
		\$'000	\$'000	\$'000	\$'000	\$'000
Group – 31 March 2020						
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)
<i>Transactions with owners in their capacity as owners</i>						
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						
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)
<i>Transactions with owners in their capacity as owners</i>						
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

Consolidated Statement of Financial Position as at 31 March 2020

	Notes	2020 \$'000	Restated (Notes 11 & 18) 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	18	561	230
Contingent consideration	18	1,419	1,039
Lease liabilities	17	402	-
Total Current Liabilities		7,311	5,197
Non-current Liabilities			
Contingent consideration	18	872	1,357
Lease liabilities	17	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	28	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

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	26	(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	17	(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

Notes to and forming part of the Financial Statements For the year ended 31 March 2020

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.

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 23).

Notes to and forming part of the Financial Statements For the year ended 31 March 2020

continued

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.

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 18

Notes to and forming part of the Financial Statements For the year ended 31 March 2020

continued

2. BASIS OF PREPARATION (Continued)

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 24) and contingent consideration liabilities (note 18)

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.

Notes to and forming part of the Financial Statements For the year ended 31 March 2020

continued

Year ended 31 March 2020	APAC \$'000	EMEA \$'000	NAM \$'000	TOTAL \$'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)

Year ended 31 March 2019	APAC \$'000	EMEA \$'000	NAM \$'000	TOTAL \$'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)

Notes to and forming part of the Financial Statements For the year ended 31 March 2020

continued

4. REVENUE

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

Types of goods and services:	2020 \$'000	2019 \$'000
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

Notes to and forming part of the Financial Statements For the year ended 31 March 2020

continued

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

	Notes	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	18	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	18	(111)	(107)
		(177)	(1,182)
Net finance income/(expense)		2,392	(466)

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.

Notes to and forming part of the Financial Statements For the year ended 31 March 2020

continued

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.

The total charge for the period can be reconciled to the accounting profit as follows:	2020 \$'000	2019 \$'000
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/(expense) 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 25) 2019 \$'000
Deferred tax		
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)

Notes to and forming part of the Financial Statements For the year ended 31 March 2020

continued

7. INCOME TAX EXPENSE (continued)

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 25).

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)

Notes to and forming part of the Financial Statements For the year ended 31 March 2020

continued

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.

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

Notes to and forming part of the Financial Statements For the year ended 31 March 2020

continued

11. INTANGIBLE ASSETS

CAPITALISED SOFTWARE DEVELOPMENT	2020 \$'000	2019 \$'000
Cost		
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.

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).

Notes to and forming part of the Financial Statements For the year ended 31 March 2020

continued

11. INTANGIBLE ASSETS (continued)

CAPITALISED SOFTWARE DEVELOPMENT (continued)

COMPUTER SOFTWARE	2020 \$'000	2019 \$'000
Cost		
Opening Balance	281	162
Acquired as part of a business combination (Refer to note 24)	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 24) as follows:

	2020 \$'000	2019 \$'000	Restated (Note 25)
CUSTOMER RELATIONSHIP INTANGIBLE ASSETS			
Cost			
Opening Balance	4,014	2,052	
Acquired as part of a business combination (Refer to note 24)	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	

Notes to and forming part of the Financial Statements For the year ended 31 March 2020

continued

11. INTANGIBLE ASSETS (continued)

GOODWILL

Cost	2020 \$'000	2019 \$'000	Restated (Note 25)
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 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.

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.

Notes to and forming part of the Financial Statements For the year ended 31 March 2020

continued

11. INTANGIBLE ASSETS (continued)

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.

Notes to and forming part of the Financial Statements For the year ended 31 March 2020

continued

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	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 22.

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.

Notes to and forming part of the Financial Statements For the year ended 31 March 2020

continued

12. PLANT AND EQUIPMENT

2020	Motor Vehicles \$'000	Furniture and Fittings \$'000	Leasehold Equipment \$'000	Computer Equipment \$'000	Total \$'000
Cost					
Balance at 1 April 2019	48	78	23	405	554
From acquisitions (note 24)	-	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
2019					
Cost					
Balance at 1 April 2018	-	60	19	297	376
From acquisitions (note 25)	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

Notes to and forming part of the Financial Statements For the year ended 31 March 2020

continued

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 \$'000	Property \$'000	Motor vehicles \$'000	Total \$'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 17.

14. TRADE PAYABLES

	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.

Notes to and forming part of the Financial Statements For the year ended 31 March 2020

continued

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. LEASE LIABILITIES

	Equipment \$'000	Property \$'000	Motor vehicles \$'000	Total \$'000
At 1 April 2019	-	1,132	-	1,132
Additions	12	382	32	426
Interest expense	-	62	1	63
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.

Notes to and forming part of the Financial Statements For the year ended 31 March 2020

continued

17. LEASE LIABILITIES (continued)

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

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

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

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

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

When the Group 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 or 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.

Notes to and forming part of the Financial Statements For the year ended 31 March 2020

continued

17. 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.

Notes to and forming part of the Financial Statements For the year ended 31 March 2020

continued

18. CONSIDERATION LIABILITIES

18.1 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

18.2 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 24 details the business combinations completed in the current period for On-Global and NZTC.

Notes to and forming part of the Financial Statements For the year ended 31 March 2020

continued

18. CONSIDERATION LIABILITIES

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.

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.

Notes to and forming part of the Financial Statements For the year ended 31 March 2020

continued

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
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	No. of Shares	No. of Shares
Ordinary shares		
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

Preference shares

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.

Notes to and forming part of the Financial Statements For the year ended 31 March 2020

continued

20. 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.

21. 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.

22. FINANCIAL RISK MANAGEMENT

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

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

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

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

- Cash and cash equivalents
- Trade 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.

Notes to and forming part of the Financial Statements For the year ended 31 March 2020

continued

22. FINANCIAL RISK MANAGEMENT (continued)

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

Notes to and forming part of the Financial Statements For the year ended 31 March 2020

continued

22. FINANCIAL RISK MANAGEMENT (continued)

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	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.

Notes to and forming part of the Financial Statements For the year ended 31 March 2020

continued

22. 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

Notes to and forming part of the Financial Statements For the year ended 31 March 2020

continued

22. 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 19) that liquidity is sufficient

for the foreseeable future. Refer to financial instrument maturity analysis in note 22 (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 NZD'000	2019 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 NZD'000	2019 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)

Notes to and forming part of the Financial Statements For the year ended 31 March 2020

continued

23. 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.

24. 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 18.

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.

Notes to and forming part of the Financial Statements For the year ended 31 March 2020

continued

24. BUSINESS COMBINATIONS COMPLETED IN CURRENT PERIOD (continued)

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
<hr/>			
Cash paid (NZD)			2,139
Shares in Straker Translations Limited (note 19)			503
Fair value of contingent consideration liability on acquisition (note 18)			826
Total consideration			3,468
Goodwill (note 11)			1,520

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.

Notes to and forming part of the Financial Statements For the year ended 31 March 2020

continued

24. BUSINESS COMBINATIONS COMPLETED IN CURRENT PERIOD (continued)

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 18)	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	\$'000
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

Notes to and forming part of the Financial Statements For the year ended 31 March 2020

continued

25. 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

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.

Notes to and forming part of the Financial Statements For the year ended 31 March 2020

continued

25. BUSINESS COMBINATIONS COMPLETED IN PRIOR PERIOD (continued)

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.

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

	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 18.

Notes to and forming part of the Financial Statements For the year ended 31 March 2020

continued

27. RELATED PARTY TRANSACTIONS

The Group's related parties include its subsidiary companies as disclosed in note 23. 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.

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 & Bonus	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.

Notes to and forming part of the Financial Statements For the year ended 31 March 2020

continued

28. 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.

Notes to and forming part of the Financial Statements For the year ended 31 March 2020

continued

28. 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

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.

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.

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.

Notes to and forming part of the Financial Statements For the year ended 31 March 2020

continued

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.

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.

Notes to and forming part of the Financial Statements For the year ended 31 March 2020

continued

e) Impairment of assets (Continued)

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.

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 and Group Corporate Governance Statement

FOR THE YEAR ENDED 31 MARCH 2020

Corporate Governance Statement for the year ended 31 March 2020

The Board of directors of Straker Translations Limited (**Straker**) is committed to upholding a high standard of corporate governance. Straker complies as far as possible with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition) which came into effect on 1 July 2014 (**ASX Corporate Governance Principles and Recommendations**) having regard to the nature and size of Straker's operations.

This Corporate Governance Statement outlines Straker's commitment to achieving compliance with the central principles of the recommendations set by the ASX Corporate Governance Council based on:

- an overview of Straker's implementation of the ASX Corporate Governance Principles and Recommendations during the year ended 31 March 2020;
- an explanation of the ASX Corporate Governance Principles and Recommendations with which Straker does not currently comply and the reasons for any non-compliance; and
- a statement of Straker's intention to take certain actions and adopt certain policies and processes in order to achieve compliance with the ASX Corporate Governance Principles and Recommendations.

Straker's Board Charter, Corporate Governance Statements and Policies are available on Straker's website at www.strakertranslations.com

This Corporate Governance Statement was approved by the Board of Directors on 22 April 2020.

Principle 1: Lay solid foundations for management and oversight

A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.

The respective roles and responsibilities of Straker's Board and Management

Straker's Board of Directors is the body responsible for the overall corporate governance and decision making within the Company. While Straker's senior executive management team (being employees of Straker who report directly to Straker's Chief Executive Officer) deal with and supervise the day-to-day operational issues and processes experienced by Straker in carrying out its business, the role of the Board is to direct and supervise the management of Straker's business by its senior executive team, and to ensure that the longer term strategic objectives of the Company continue to be met.

In order to promote efficiency, Straker's Board of directors may from time to time delegate certain functions to its senior executive management team. Actions delegated to the senior executive management team typically involve management of Straker's resources to deal with day-to-day operations of the business in a way that contributes to Straker's overall strategic direction as set by the Board of Directors. Straker's Board has delegated to the Managing Director all the powers and authorities required to manage the day-to-day operations of Straker's business, except those expressly reserved to the Board or one of its committees.

Straker's Board Charter sets out the role and responsibilities of Straker's Board of Directors and regulates internal Board procedures. Details about Straker's Board is available on Straker's website.

Selection and recommendation of director candidates

Before appointing or putting forward to shareholders any candidate for election or re-election as a Director of Straker, a formal process is undertaken to complete appropriate checks on that candidate, including checks as to that candidate's character, experience, education, criminal record and bankruptcy history. If Straker is satisfied with the results of such checks and determines that the candidate be put forward to shareholders for election, Straker will provide shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect that Director candidate.

Terms of appointment of Directors and senior executives

All newly appointed Directors of Straker are provided with a letter of appointment setting out the term of appointment, remuneration, the Director's roles and responsibilities and the entity's expectations of that director (including with regard to time commitments, the requirement to disclose Directors' interests and matters affecting the Director's independence, the requirement to comply with key corporate policies, and ongoing confidentiality obligations). Existing Non-Executive Directors of Straker also have their terms of appointment formalised in a written letter of appointment setting out the above items.

All senior executive employees of Straker have their terms of employment (including a description of their position, duties and responsibilities, remuneration arrangements, the role to which they report, termination obligations and entitlements, and ongoing confidentiality obligations) contained in a written agreement with Straker.

The Company Secretary role

Straker's Board has appointed a Sydney-based Company Secretary following completion of the Company's listing on the ASX. The Company Secretary performs the following functions for which she's accountable directly to Straker's Board:

Corporate Governance Statement for the year ended 31 March 2020

continued

- advising the Board and its committees on governance matters;
- ensuring compliance with the Company's continuous disclosure obligations;
- monitoring that the Board and committee policy and procedures are followed;
- co-ordinating the timely completion and despatch of Board and committee papers;
- ensuring that the matters discussed at Board and committee meetings are accurately captured in the minutes of those meetings; and
- helping to organise and facilitate the induction and professional development of Directors.

Diversity

The Company is committed to creating and ensuring a diverse work environment in which everyone is treated fairly, with respect and where everyone feels responsible for the reputation and performance of the Company. Straker understands that diversity and inclusivity in the workforce is a strategic asset, and that a workplace with a genuine balance of employees by gender, age and background will strengthen Straker's business performance and create opportunities to access the best people for Straker's business.

Straker has developed a formal Diversity and Inclusion Policy, which was adopted upon the Company's listing to the ASX in October 2018. A copy of the policy can be found on the Company's website.

As at the date of this statement, measurable objectives have not yet been formally established and it is the Board's intention to consider the establishment of measurable objectives in the forthcoming year. In order to demonstrate Straker's commitment to compliance with the ASX Corporate Governance Principles and Recommendations, Straker's Board of Directors intends that the Board will set appropriate and meaningful benchmarks that are able to be measured and monitored for effectiveness in addressing any gender imbalance issues that may be present in Straker's business.

After measurable objectives have been adopted for at least a 12-month period, Straker's Board of Directors will conduct a review of Straker's progress against the stated measurable objectives over the preceding 12 months and will disclose an overview of such progress in the Corporate Governance Statement for that year.

As at the year ended 31 March 2020, the respective proportions of men and women within Straker were as follows:

	Female	Male
Board of directors	1	5
Senior executive team	2	4
All other employees (not including senior executive staff)	91	78

* Katrina Johnson resigned from the Board on 14 April 2020

Performance Management

Straker undertakes formal evaluation processes on an annual basis to review the performance of Straker's Board, various Board committees, individual Directors and senior executive employees. These evaluation processes will be conducted as follows:

- **Board performance and Board committee performance:** Straker's Board conduct an annual self-review and evaluation of its own performance (with assistance from the Nominations and Remuneration Committee and the Company Secretary), including the Board's performance against the requirements of the Board Charter.
- **Individual Director performance:** Straker's Board Chair will conduct performance reviews with individual Directors on an annual basis.
- **Senior executive employee performance:** The Nominations and Remuneration Committee will periodically evaluate the performance of Straker's senior executives in accordance with the provisions of Straker's Nominations and Remuneration Committee Charter, which is available on Straker's website.

Straker's Board of Directors conducted formal performance review in accordance with the abovementioned processes prior to the date of Straker's Annual Report for the year ended 31 March 2020 and will conduct a similar review at or around the end of each following year. The evaluation process noted strengths, recommended improvements and identified areas for increased focus.

Principle 2: Structure the Board to add value

A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

Straker understands the importance of a high performing and effective Board of Directors in ensuring proper governance of a listed entity. Straker has structured its Board of Directors in accordance with the recommendations set out in the ASX

Corporate Governance Statement for the year ended 31 March 2020

continued

Corporate Governance Principles and Recommendations to ensure that the Board is of a sufficient size, independence level, and skill set composition to enable it to manage the requirements of Straker's business and the industry and market in which it operates.

Nominations and Remuneration Committee

Straker's Nominations and Remuneration Committee is tasked with overseeing and making recommendations to Straker's Board of Directors on the nomination, selection and appointment of Directors to Straker's Board, the re-election of incumbent Directors, and the remuneration strategies and policies of the Company, including recommendations on the fees to be paid to Directors.

The Nominations and Remuneration Committee has three members, with current members being Tim Williams, Paul Wilson and Phil Norman (a majority of whom are Independent Non-Executive Directors). Katrina Johnson was a member of the Committee during the year until the date of her resignation on 14 April 2020. Phil Norman was appointed to the Committee following Katrina's resignation. The Committee is chaired by Tim Williams who is an Independent Director of Straker, in accordance with the requirements of the ASX Corporate Governance Principles and Recommendations. The Nominations and Remuneration Committee Charter sets out the Board's policies and practices regarding the nomination, selection and appointment of new Directors and the re-election of incumbent Directors, as well as the Board's policies regarding the remuneration of Non-Executive Directors and other senior executives and is available on the Company's website.

Board composition and independence

As at the year ended 31 March 2020, Straker's Board comprised the following five Non-Executive Directors:

Name	Position	Date appointed to Straker's board
Phil Norman	Chair and Independent Non-Executive Director	13 January 2014
Grant Straker	Executive Director	21 December 1999
Steve Donovan	Non-Executive Director	1 December 2004
Paul Wilson	Non-Executive Director	22 September 2015
Katrina Johnson	Independent Non-Executive Director	3 July 2018*
Tim Williams	Independent Non-Executive Director	24 June 2015

* Katrina Johnson resigned from the Board on 14 April 2020

The Board only considers a Director to be independent where they are independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgement.

On this basis, the following Directors have been determined as being independent as at 31 March 2020 and for the full financial year ending on that date (or since appointment date as applicable) – (Mr Phil Norman, Ms Katrina Johnson* and Mr Tim Williams). This is despite the foregoing interests/relationships which the Board considers are not material and do not compromise the independence of the relevant Director:

Name	Plan Scheme	Number	Exercise Price	Expiry Date
Phil Norman	Legacy ESOP	41,960	NZ\$0.596	3 Apr 2020
	LTI ESOP	50,000	\$1.51	26 Sep 2024
Katrina Johnson*	LTI ESOP	25,000	\$1.51	26 Sep 2024
Tim Williams	LTI ESOP	25,000	\$1.51	26 Sep 2024

* Katrina Johnson resigned from the Board on 14 April 2020

Mr Grant Straker, Mr Steve Donovan and Mr Paul Wilson are regarded as non-independent based on the ASX criteria in Principle 2 of the ASX Recommendations.

The Board considers the composition of the Board to be appropriate and does not believe that it is detrimental to the Company or its Shareholders that the majority of the Board is not independent.

The Nominations and Remuneration Committee will re-assess the independence of each Non-Executive Director on an annual basis and in cases where a specific need for an independence assessment is identified due to a change in the interests, positions, associations or relationships of one or more Non-Executive Directors. If Straker's Board of Directors determines that a Director's status as an Independent Director has changed, the Board will disclose and explain that determination to the market in a timely manner.

Skills and experience of Straker's Board of Directors

Straker recognises that its Board of Directors should represent a diverse range of skills, experience and attributes in order to ensure effective decision-making and governance of the Company. Straker's Board of Directors is currently comprised of members with skills and experience in the following areas:

- information technology;
- investment banking;
- mergers and acquisitions;
- corporate governance;
- technology commercialisation;
- product development;
- sales and marketing; and
- finance.

There are also a range of qualifications currently represented across Straker's Board of Directors, including in the fields of finance and accounting, business management, sales and marketing, and software development.

Corporate Governance Statement for the year ended 31 March 2020

continued

Straker's Board of Directors' review on an annual basis the skills, experience and attributes held by the Directors and whether the Board group as a whole possess the skills and experience required to fulfil their role on the Board and relevant Board committees. Where any gaps are identified, the Board will consider what training or development could be undertaken to fill those gaps or provide resources or access to resources to help develop and maintain the skills and knowledge of its Directors.

Induction of new Directors and ongoing professional development

Where a new Director is appointed to Straker's Board, Straker's Chair will arrange induction sessions with the new Director in order to brief them on the background and growth story of the Company and advise the new Director on Straker's Board procedures, constitutional documents, corporate governance policies and procedures.

Due to the current size and growth stage of Straker's business, the Director induction and professional development processes of the Company are largely informal. However, as Straker grows in size and market significance, Straker will consider providing Directors with appropriate formalised professional training and development opportunities to allow new and existing Directors to develop and maintain the skills and knowledge needed to perform their roles effectively.

Board and Committee Meeting Attendance

The number of scheduled Board and Committee meetings held during the year ended 31 March 2020 and the number of meetings attended by each of the Directors is set out in the table below:

	Board Meeting		Audit & Risk Management Committee*		Nominations & Remuneration Committee*	
	A	B	A	B	A	B
Phil Norman	13	13	5	5	0	0
Grant Straker	13	13	0	0	0	0
Steve Donovan	11	13	5	5	0	0
Katrina Johnson*	13	13	5	5	5	5
Paul Wilson	12	13	0	0	5	5
Tim Williams	10	13	0	0	4	5

* Resigned as a director on 14 April 2020

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of a committee during the year

Principle 3: Act ethically and responsibly

A listed entity should act ethically and responsibly.

Straker is committed to complying with its legal obligations and to acting with honesty, integrity and in a manner consistent with the reasonable expectations of its investors and the wider community.

Code of Conduct

Straker expects that all of its Directors, senior executives and employees will also act ethically and responsibly, in strict compliance with all applicable laws, regulations, and in accordance with accepted principles of good corporate citizenship. In order to demonstrate Straker's commitment to acting ethically and responsibly, Straker's Board of Directors has developed a Code of Conduct that clearly defines Straker's core values, articulates what Straker regards as acceptable business practices, and sets out the standards and expectations required of Straker's Board of Directors, senior executives and employees in performing their duties. Straker's Code of Conduct is available on Straker's website.

Principle 4: Safeguard integrity in corporate reporting

A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

Audit and Risk Management Committee

Straker's Audit and Risk Management Committee is tasked with reporting to Straker's Board of Directors on the integrity of Straker's financial reporting process, its internal and external audit functions, and its internal control and risk management process. In accordance with the requirements of the ASX Corporate Governance Principles and Recommendations, the Audit and Risk Management Committee comprises of at least three Non-Executive Director members, being Steve Donovan, Tim Williams and Phil Norman (a majority of whom are Independent Directors). Katrina Johnson was a member of the Committee during the year until the date of her resignation on 14 April 2020. Tim Williams was appointed to the Committee following Katrina's resignation.

The ASX Corporate Governance Principles recommend that the Audit and Risk Management Committee will be chaired by an Independent Director. Straker's Board of Directors have had regard to the skills and experience of the Board and have determined that despite not being considered an Independent Director, Steve Donovan is the most appropriate member of the Board to act as Chair of the Audit and Risk Management Committee given his knowledge of Straker and its history of

Corporate Governance Statement for the year ended 31 March 2020

continued

audit and risk issues, as well as his expertise and qualifications in the area of finance.

The relevant qualifications and experience of the members of the Audit and Risk Management Committee are available in the Annual Report.

The Audit and Risk Management Committee Charter sets out the policies and practices of Straker's Board of Directors regarding the financial audit and risk management processes of Straker and is available on the Straker's website.

Declaration of Managing Director and CFO on financial statements

As a New Zealand incorporated company, Straker is not subject to section 295A(4) of the Corporations Act 2001 (Cth) (which requires that the CEO/Managing Director and CFO of a listed entity to provide certain declarations regarding the financial statements for that entity in each financial year). However, in accordance with the ASX Corporate Governance Principles and Recommendations, Straker's Managing Director and CFO provided to Straker's Board of Directors (prior to the approval by the Board of Straker's financial statements for a financial period) a written opinion to the Board of Directors that, in their opinion:

- Straker's financial reports comply with the appropriate accounting standards;
- Straker's financial reports give a true and fair view of Straker's financial position and performance; and
- the opinion of the Managing Director and CFO has been formed on the basis of a sound system of risk management and internal control, which is operating effectively.

Attendance of external auditor at Annual Meeting

In order to safeguard the integrity of Straker's corporate reporting process and to maintain free and open communication between the Board of Directors, shareholders and auditors, Straker requests that its external auditor attend Straker's Annual Meeting so as to be available to answer any shareholder questions raised at or prior to the Annual Meeting about the conduct of the audit and the preparation and content of the audit report.

Principle 5:

Make timely and balanced disclosure

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

Complying with Continuous Disclosure Obligations

Straker complies with the continuous disclosure obligations contained in the ASX Listing Rules. As part of these continuous disclosure obligations, where Straker becomes aware of any information concerning the Company that a reasonable person

would expect to have a material effect on the price or value of the Straker's securities, Straker must immediately disclose that information to the market (subject to limited exceptions available under the ASX Listing Rules).

To encourage and assist compliance by Straker's Board of Directors and its employees with these continuous disclosure obligations, Straker's Board of Directors have developed a Continuous Disclosure Policy which is available on Straker's website. The Continuous Disclosure Policy has been developed with regard to ASX Listing Rules 3.1-3.1B and relevant ASIC regulatory guidance with respect to disclosure for investors. The Company Secretary will have primary responsibility for all relevant regulatory filings to ensure Straker's compliance with its continuous disclosure obligations.

Principle 6:

Respect the rights of security holders

A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

Access to information about Straker and its governance
In accordance with the ASX Corporate Governance Principles and Recommendations, Straker has a "Investors" section on its website, from which all relevant corporate governance information about Straker can be accessed by the general public. Such information includes:

- this Corporate Governance Statement;
- Straker's constitution, board charter and board committee charters;
- the Straker Code of Conduct;
- various corporate governance policies; and
- names, photographs and summarised biographical information for each of Straker's Directors and senior executives.

Other relevant information and documents about Straker, including but not limited to copies of Straker's annual reports and financial statements, copies of Straker's announcements to the ASX, and copies of notices of meetings of shareholders (and any accompanying documents) can be accessed on relevant areas of Straker's website.

Shareholder relations

Straker has implemented a formal Shareholder Communications Policy to ensure that shareholders are provided with sufficient information to assess the performance of Straker at regular intervals and are informed of all major developments affecting the state of affairs of Straker, in accordance with applicable laws. A copy of Straker's Shareholder Communications Policy has been adopted and is available on Straker's website.

Corporate Governance Statement for the year ended 31 March 2020

continued

Pursuant to Straker's Shareholder Communications Policy, Straker regularly provides information to shareholders:

- market releases to the ASX in accordance with Straker's continuous disclosure obligations;
- the investor relations section of Straker's website;
- Straker's annual and half-yearly reports; and
- Straker's Annual Meeting.

In addition to providing shareholders with information about the Company, Straker also provides opportunities for two-way communication between shareholders and Straker by requesting that its external auditor and the relevant Chairs of the various Board committees attend Straker's Annual Meeting to be available to answer any shareholder questions about the conduct of the audit and the preparation and content of the audit report, or about the activities of the various Board committees. Shareholders are encouraged to express to the relevant Straker representatives present at the Annual Meeting any matters of concern or interest to shareholders, with the understanding that these views will be communicated to Straker's Board of Directors for consideration.

Shareholders who are not able to attend the Annual Meeting and exercise their right to ask questions about or make comments on the management of Straker will be given the opportunity to provide questions or comments ahead of the Annual Meeting. Where appropriate, these questions will be considered and answered at the Annual Meeting.

Electronic communications

Straker encourages its shareholders to receive information and communications from, and send communications to, Straker and its share registry electronically. Shareholders may elect to send and receive communications electronically by registering their email address online with Straker's share registry.

Principle 7:

Recognise and manage risk

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

Straker is committed to the establishment and maintenance of a sound risk management framework encompassing oversight, management and internal control of risks within and facing Straker's business.

Audit and Risk Management Committee

As outlined above (see Principle 4), Straker's Audit and Risk Management Committee, oversees and reports to the Board of Directors on the integrity of Straker's financial reporting process and risk management process. Please see Principle 4 for further information on the membership structure and committee

charter of Straker's Audit and Risk Management Committee.

Annual review of Straker's risk management framework

The Audit and Risk Committee, regularly reviews and discusses the major risks affecting Straker's business and develops strategies to mitigate these risks throughout the year, and reviews Straker's overall risk management framework at least annually to ensure that the framework continues to be effective and suitable to the risks involved in Straker's business.

Evaluating and improving risk management and internal control processes

While Straker does not have an internal audit function, Straker's Board of Directors ensures that the risk management and internal control processes of Straker are regularly evaluated and the effectiveness of these processes will be continually improved through review by the Audit and Risk Management Committee, and by the Board of Directors of Straker.

Where it considers necessary, Straker's Board of Directors will consider the recommendations of the external auditors and other external advisers in relation to Straker's financial reporting process and risk management framework, and appropriate action will be taken by the Board of Directors to ensure that key risks, as identified, are managed effectively.

Material exposure to risk

Straker's Board of Directors ensures that any material exposure of Straker to economic, environmental and social sustainability risks will be disclosed in accordance with the requirements of ASX Listing Rule 3.1.

The Board of Directors has considered the Company's exposure specifically to economic, environmental and social sustainability risks and has determined the following:

- **Economic Risk** – The business is exposed to general economic conditions. Specifically, material risk exists in relation to: competition and new technologies; reliance on key personnel; data loss, theft or corruption; technology platform failure; the impact of privacy laws and regulations; country specific risks in new unfamiliar markets;
- **Environmental risks** – The COVID-19 pandemic represents a material environmental and economic risk for Straker. The Company has developed and implemented a comprehensive response focused on the safety of its workforce and an anticipated decline in revenues for a period of time; and
- **Social sustainability** – There is a material risk associated with crowd and remote workers, however, the Company has practices and processes in place to mitigate these risks.

Corporate Governance Statement for the year ended 31 March 2020

continued

Principle 8: Remunerate fairly and responsibly

A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.

Nominations and Remuneration Committee

As outlined above (see Principle 2), Straker's Nominations and Remuneration Committee's principal function is the oversight of the remuneration strategies and policies of the Company. Please see Principle 2 for further information on the membership structure and committee charter of Straker's Nominations and Remuneration Committee.

Board review and determination of remuneration structures

Straker's Board of Directors reviews the overall remuneration structure and policies and will consider recommendations from the Nominations and Remuneration Committee. No individual Director or senior executive is or will be involved in deciding his or her own remuneration.

The Board of Directors of Straker may seek the advice of external advisers from time to time in order to develop remuneration packages to retain and attract high quality Non-Executive Directors and senior executives and encourage these Directors and executives to pursue the growth and success of the entity without taking undue risks.

Straker's Non-Executive Directors are paid by way of fees for services up to a maximum aggregate sum of \$A600,000 per annum as approved by shareholders at the Company's Annual Meeting held on 25 September 2018. Only with prior shareholder approval in general meeting may fees be paid to Non- Executive Directors in excess of this \$A600,000 fee cap.

As at 31 March 2020, Non-Executive Directors were paid \$A60,000 per annum with the Chair receiving \$A96,000 per annum. Grant Straker, who is an Executive Director, is not paid director's fees.

In addition, Straker's Directors are entitled to participate in the Company's Employee Share Options Schemes, which require approval by shareholders before further option issuances can be made to Directors.

As at 31 March 2020, the following directors held options in Straker's legacy ESOP scheme:

- Grant Straker: 41,960 options issued at \$NZ0.596
- Phil Norman: 41,960 options issued at \$NZ0.596

On 26 September 2018, additional options were issued to directors in Straker's new, LTI ESOP scheme:

- Grant Straker: 300,000 options issued at \$A1.51
- Phil Norman: 50,000 options issued at \$A1.51
- Paul Wilson: 50,000 options issued at \$A1.51
- Steve Donovan: 25,000 options issued at \$A1.51
- Tim Williams: 25,000 options issued at \$A1.51
- Katrina Johnson: 25,000 options issued at \$A1.51

Straker's Executive Director and other senior executives are paid by way of cash salaries and in relation to the year ending 31 March 2020 were, in addition, entitled to be paid a cash bonus linked to the achievement of annually agreed corporate and individual KPI's. No performance-based cash bonuses were paid to Straker's executive director or other senior executives in relation to the year ended 31 March 2020.

The Company's CEO and Managing Director is paid \$NZ290,000 per annum as at 31 March 2020.

Straker sets corporate and individual KPI's annually at the beginning of each financial year. Bonus targets for the Executive Director and senior executives are expressed as a percentage of base salary and achievement against the corporate and individual KPI's is assessed by the Nominations and Remuneration Committee. If achieved, payment of cash bonuses is made following completion of the audited annual financial statements.

In addition, Straker's senior executives are entitled to participate in the Company's Employee Share Option Schemes. No option grants were made to the Company's senior executives during the year ended 31 March 2020.

Aligning remuneration and performance to the creation of value for shareholders

As at the year ended 31 March 2020, Straker had in place an employee share option plan (ESOP) entitling certain Directors, senior executive staff and other employees to the issue of options over ordinary shares in Straker, according to the terms of the plan.

To ensure that Straker's incentive strategies are appropriate for an ASX listed entity and continue to align the interests of Directors and senior executives with the creation of value for shareholders, Straker's Board of Directors has taken the following steps:

- retained the existing ESOP scheme that was in place prior to the IPO with some minor amendments to ensure compliance with the relevant ASX listing rule requirements (this old ESOP scheme is being grandfathered); and
- established a new ESOP scheme to provide long-term incentives for qualifying employees, senior executives

Corporate Governance Statement for the year ended 31 March 2020

continued

and Directors of Straker, under which options over the ordinary shares of Straker may be issued to such qualifying employees, senior executives and Directors of Straker. The new ESOP scheme (which operates on substantially similar terms to the current ESOP scheme), was approved by Straker's Board and shareholders and adopted shortly prior to Straker's listing on the ASX.

Under Straker's Securities Trading Policy, participants in either or both of Straker's ESOP schemes are not permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risks of participating in the relevant scheme (or schemes, as the case may be).

Any options offered to Directors and/or senior executives after Straker is listed on the ASX will be subject to board and/or shareholder approval as required by applicable law, the ASX listing rules and Straker's Constitution.

Straker Translations and Group Additional Disclosures

FOR THE YEAR ENDED 31 MARCH 2020

Additional Disclosures

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).

Additional Disclosures

continued

Equity holdings of all Directors

At 31 March 2020

	Notes	Number of shares	Number of options
Non-executive Directors			
Stephen Donovan		2,339,930	25,000
Katrina Johnson		10,000	25,000
Philip Norman		50,000	91,960
Timothy Williams		114,760	25,000
Paul Wilson		250,000	50,000
Executive Directors			
Grant Straker	1	7,329,380	341,960

1 - included in Grant Straker's shareholding are 3,664,690 shares which are in escrow until the publication of Straker's half-year results dated 30 September 2020.

Entries recorded in the interests register

Straker maintains an interests register in accordance with the Companies Act 1993 (New Zealand). The following are particulars of entries made in the interests register during FY20

Additional Disclosures

continued

Directors' Interests

Directors disclosed the following relevant interests, or cessations of interest, in the following entities.

Director / Entity	Relationship	Director / Entity	Relationship
Stephen Donovan			
Buro Seating Limited	Director and shareholder	Grant Straker	
Dopast Holdings Limited	Director and shareholder	Serko Limited	Shareholder
New Zealand Pure Dairy Products Limited	Director and shareholder	Bailador Technology Investments Limited	Shareholder
Canaveral Corner Limited	Director and shareholder	Ubco Limited	Shareholder
Purelac Dairy Limited	Director and shareholder	Timothy Williams	
Purelac Brands Limited	Director and shareholder	90 Seconds TV Pte Limited	Director and shareholder
Sherwood Country Limited	Trustee	Donovan Group NZ Limited	Director and shareholder
Aritech Innovations Limited	Trustee	Donovan Group International Limited	Director
Aritech Investments Limited	Trustee	Donovan Group Properties Limited	Director
Radius Group Limited	Trustee	Donovan Group Modular Limited	Director
Allright Group Limited	Trustee	Donovan Group Holdings Limited	Director
Advanced Customs Service Limited	Trustee	Technomancy Group Limited	Director and shareholder
Viranda Holdings Limited	Director and shareholder	The Icehouse Limited	Director
Bailador Technology Investments Limited	Shareholder	Shuttlecock Limited	Shareholder
Blue Frog Breakfast Limited	Shareholder	Horizon Management Limited	Director
Katrina Johnson			
Uber Technologies, Inc	Share options holder	Remington Properties Limited	Shareholder
eBay Inc	Shareholder	Photowonder New Zealand Limited	Director
The Allens Hub for Technology, Law and Innovation	Advisory board member	Design Station Limited	Director
Paypal Holdings, Inc	Shareholder	Firstwood Limited	Director
Obiotics Group Limited	Shareholder	Spoke Network Limited	Director
Phil Norman			
Plexure Group New Zealand Limited	Director and shareholder	Managwhai Village Development Limited	Director
Plexure Limited	Director	Modern Building Product (2018) Limited	Director
VMob IP Limited	Director	T Williams Trustees Limited	Director
VMob Singapore Pte Ltd	Director	Kiwispan 2017 Limited	Director
Xero Limited	Shareholder	Coresteel New Zealand Limited	Director
Loyalty New Zealand Limited	Director	President's Bush Limited	Director and shareholder
UBNZ World Markets (NZ) Limited	Shareholder	Global Crop Traders Co Limited	Director
iSport Federation Holdings Limited	Shareholder	TWG General Partner Limited	Director and shareholder
Nortek Management Services Limited	Director and shareholder	Circular Plastics General Partner Limited	Director and shareholder
TruScreen Limited	Shareholder	Home Research Limited	Director
MyWave Holdings Limited	Shareholder	Picos Limited	Director
Touchpoint Group Limited	Director & Shareholder	Our Home Direct General Partner Limited	Director
Atrax Group New Zealand Limited	Advisory board member	MBP Company Limited	Director
Bright Spark Innovations GP Limited	Director	Home Research Limited	Director
Parallo Limited	Director and chairman	Picos Limited	Director
Paul Wilson			
		Vita Group Limited	Director and shareholder
		Royals Multisport Private Limited	Director
		Stackla Pty Limited	Director
		Online Ventures Pty Limited	Director
		Bailador Technology Investments Limited	Director and shareholder
		Bailador Investment Management Pty Limited	Director and shareholder
		Peandel Pty Limited	Director and shareholder

Additional Disclosures

continued

Share dealings of Directors

Directors disclosed the following acquisitions or disposals of relevant interests in Straker shares during the year. All dollar figures in this table are in Australian dollars.

Registered holder	Date of acquisition/ disposal	Consideration per share	Number of shares acquired/(disposed)
Stephen Donovan	9 December 2019	AUD 0.57	41960

Insurance

In accordance with the Companies Act 1993 (New Zealand), Straker has continued to insure its directors and officers (through renewal of its D&O insurance policy) against potential liability or costs incurred in any proceeding, except to the extent prohibited by law.

Deeds of Indemnity

Straker has provided Deeds of Indemnity to all directors and officers of Straker and its subsidiaries for potential liabilities and costs they may incur for acts or omissions in their capacity as directors or officers of Straker or its subsidiaries.

Remuneration disclosures

Information about non-executive and executive directors remuneration is provided on page 68 of this report. The total remuneration available to non-executive directors is fixed by shareholders. Currently, the annual total aggregate non-executive directors' remuneration is capped at AUD 600,000 as approved by shareholders at the Annual General Meeting in September 2018. Information regarding employee remuneration exceeding \$100,000 per annum is presented on page 83 of this report.

Shareholder information

The shareholder information set out below is current at 1 Jun 2020.

Issued capital

The total number of issued ordinary shares in Straker Translations Limited as at 1 June 2020 was 53,101,360, of which 3,664,690 were held in escrow at that date.

Additional Disclosures

continued

Distribution of shareholding

Range	Number of holders	%	Ordinary shares	%
1 to 1,000	394	28.08	232,651	0.44
1,001 to 5,000	563	40.13	1,518,718	2.86
5,001 to 10,000	170	12.12	1,294,954	2.44
10,001 to 100,000	235	16.75	6,551,314	12.34
100,001 and over	41	2.92	43,503,723	81.93
Total	1,403	100.00	53,101,360	100.00

Un-marketable share parcels

Range	Number of holders	%	Ordinary shares	%
< AUD\$500	187	13.33	65,212	0.12

Distribution of Share Options

Range	Number of holders	%	Ordinary shares	%
5,001 to 10,000	4	12.50	32,032	1.50
10,001 to 100,000	22	68.75	686,846	32.16
100,001 and over	6	19	1,416,713	66.34
Total	32	100.00	2,135,591	100.00

Options

There were 32 individuals holding a total of 2,135,591 unlisted options.

Additional Disclosures

continued

Substantial holdings and limitations on the acquisition of securities

Straker is a New Zealand incorporated and domiciled company listed on the Australian Securities Exchange (ASX). From a regulatory perspective, this means that while the ASX Listing Rules apply to Straker, certain provisions of the Australian Corporations Act 2001 (Cth) do not. Straker is not subject to chapters 6, 6A, 6B, and 6C of the Australian Corporations Act 2001 (Cth) dealing with the acquisition of its shares (including substantial holdings and takeovers). The Companies Act 1993 (New Zealand) applies to Straker, while certain provisions of the Financial Markets Conduct Act 2013 (New Zealand) do not.

There is no requirement on Straker's substantial shareholders to provide substantial holder notices to Straker. Straker is aware of the following substantial shareholders with a holding of 5% or greater:

Name	Number of ordinary shares held	% of total issued capital
1. Grant & Merryn Straker	7,329,380	13.80
2. Bailador Technology Investments Limited	6,404,201	12.06
3. Scobie Ward	6,013,060	11.32
4. Skyone Capital Pty Ltd	5,535,977	10.43
Total substantial Shareholders	25,282,618	47.61

Key limitations on the acquisition of shares in Straker are imposed by the following legislation: Commerce Act 1986, Overseas Investment Act 2005 and Takeovers Act 1993, together with various regulations and codes promulgated under such legislation.

Top 20 holders

The names of the 20 largest holders of Straker's ordinary shares are set out below.

Name	Number of ordinary shares held	% of total issued capital
1. Bailador Technology Investments Limited	6,404,201	12.06
2. Angelina I Hunter & Merryn J Straker & Grant O Straker	4,163,470	7.84
3. Skyone Capital Pty Ltd	3,270,900	6.16
4. Citicorp Nominees Pty Limited	3,225,274	6.07
5. Angelina I Hunter & Merryn J Goble & Grant O Straker	3,165,910	5.96
6. Forsyth Barr Custodians Limited	3,013,060	5.67
7. National Nominees Limited	2,017,074	3.80
8. Msg Holdings Pty Limited	1,900,000	3.58
9. Sandra Donovan & Stephen P Donovan & Julie C Ullness	1,533,870	2.89
10. Soul Pattinson	1,375,088	2.59
11. Skyone Fund Management Pty Ltd	1,324,504	2.49
12. Glenda Lauraine Bailey & Ian Harold Bailey	1,306,540	2.46
13. Skyone Capital Pty Ltd	940,573	1.77
14. David Sowerby	918,810	1.73
15. Mr Michael John Gregg & Mrs Suzanne Jane Gregg	860,000	1.62
16. Dopast Holdings Limited	764,100	1.44
17. J P Morgan Nominees Australia Pty Limited	715,829	1.35
18. Leonard Douglas Light	700,000	1.32
19. Custodial Services Limited	579,694	1.09
20. Washington H Soul Pattinson And Company Limited	529,802	1.00
Top 20 holders of ordinary fully paid shares (total)	38,708,699	72.90
Other shareholders (balance on register)	14,392,661	27.10
Grand total	53,101,360	100.00

Additional Disclosures

continued

Voting rights

Straker has a single class of ordinary shares on issue. Where voting at a meeting of shareholders is by voice or a show of hands, every shareholder present in person, or by representative, has one vote. On a poll, every shareholder present in person, or by representative, has one vote for each fully paid ordinary share. In practice, Straker ensures that all resolutions at shareholder meetings are decided by poll rather than on a show of hands. Share options carry no voting rights until they are fully exercised and converted into actual shares. On market buy-back There is no on-market buy-back for Straker shares.

On market buy-back

There is no on-market buy-back for Straker shares.

Restricted ordinary shares

The following fully paid ordinary shares were in escrow as at 1 June 2020:

Number of ordinary shares	Release date
3,664,690	On release of HY2021 results to ASX
318,830	On release 18 June 2020
80,000	On release 10 June 2020

Use of cash assets

During the period since admission to the ASX on 22 October 2018 to 31 March 2020, the Company has used its cash and assets readily convertible to cash that it had at the time of ASX admission in a way consistent with its business objectives as set out in the prospectus, dated 26 September 2018.

	Prospectus Use of Funds \$NZD'000	Funds Used to 31 March 2020 \$NZD'000
Payments of proceeds to Selling Shareholders	3,043	3,072
Investment in sales & marketing, investment in product development, general corporate purposes and customer acquisitions including potential additional acquisitions	14,674	5,768
Working Capital	1,957	1,893
Costs of the Offer	3,370	3,461
Total Use of Funds	23,043	14,194

Matters of circumstance arisen since year end

There have been no material matters of circumstance that have arisen since year end.

Environment issues

The Group is not affected by any significant environmental regulation in respect of its operations.

Company Directory for the year ended 31 March 2020

Company Numbers 1008867
NZBN: 942 903 739 6718
ARBN: 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

**Head Office Address
and Principal Place
of Business** Level 2, Building 3
61 Constellation Drive
Rosedale
Auckland 0632
New Zealand

Directors Phil Norman (Chair)

Grant Straker (Managing Director
and Chief Executive Officer)

Steve Donovan

Katrina Johnson
(Resigned 14 April 2020)

Tim Williams
Paul Wilson

Company Secretary Laura Newell
Boardroom Pty Limited
Level 12
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225 George Street
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Phone: +61 2 9290 9600
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Auditor BDO Auckland
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Talbot Sayer
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Bankers ANZ Bank
Bank of New Zealand
National Australia Bank

Share Registrar Link Market Services Limited
Level 12
680 George Street
Sydney, NSW 2000
Australia
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www.linkmarketservices.com.au

Stock Exchange Straker's shares are listed on the
Australian Securities Exchange
(ASX code: STG)

Company website www.strakertranslations.com

