

**ASX:STG**

STRAKER TRANSLATIONS GROUP

**straker**  
TRANSLATIONS



# Annual Report

## 2021



AI POWERED  
**RAY**



A man with dark hair, a beard, and glasses is shown in profile, looking towards the left. He is wearing a blue button-down shirt. In the background, another man in a suit is partially visible, looking towards the camera. The scene is set in a meeting room with a large screen in the background. A blue horizontal bar is overlaid on the image, containing white text.

**Straker is a world leading data driven  
AI language services company that  
powers global growth for business**

AI POWERED  
**RAY**

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# FY21 Highlights

Straker continues to deliver growth

**13%**  
YoY revenue  
growth to  
\$31.3m

Grew our enterprise customer  
base through organic and  
acquisitive growth

Well positioned for  
future growth

**\$0.05m**  
Operating cash  
flow positive  
2nd half of  
year

Struck a strategic  
alliance with IBM which  
is driving an acceleration  
of content through our  
platform and repeat  
revenues

**53.4%**  
Gross margin

**\$7.2m**  
Cash at  
bank

Margins supported  
by the realisation of  
synergies from recent  
acquisitions

**\$5.3m**  
SaaS proforma  
revenue

Acquired Lingotek lifting  
proforma FY21 revenue to  
\$41.2 million, extending our US  
footprint and established new  
subscription revenue streams

**\$41.2m**  
Proforma revenue

Extended the capability  
of our Ai-Powered RAY  
translation platform



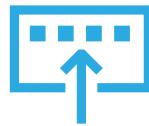


# Powering Global Growth for Business

# What We Do



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



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



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



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



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



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



Straker provides speech to text transcriptions for corporate conferences and presentations



Since 2010, we have been leading the way in blending human and machine intelligence to increase speed, reduce complexity and cost in translation and localisation

# Chairman and CEO's Report

## Dear Shareholder,

A year ago, it was hard for anyone to imagine how global companies would adapt to the lockdowns and travel bans, yet we have all adapted better than expected.

***“At Straker, through our AI driven technology, we are re-imagining how we can break down the barriers of language and communication on a global scale, to make it easier for our customers to grow and prosper.”***

It is very pleasing to be reporting on year where we have taken significant steps towards that vision and the same time have delivered what can only be described as a transformational year for Straker.

## Our strategic priorities are clear

We are focused on driving consolidation in the language services sector, building repeating revenues - particularly among the large global enterprises that benefit from Straker's global reach and our Ai-Powered RAY translation platform - and continuing to consolidate our technological leadership.

What has been so satisfying for the Board and Management is that we have again successfully executed on those priorities. Moreover, we have done so while delivering financial and operational results that unambiguously validate the approach we are taking in global translation markets.

***“The transformational agreements negotiated in the third quarter of the 2021 financial year - our appointment as strategic translations provider to International Business Machines Corp (IBM) and the acquisition of the US-based Lingotek in a \$8.9 million cash and shares deal – best illustrate these points.”***

The IBM agreement, effective from the start of the new calendar year, offers Straker significant new and growing revenue. It is a validation of our acquisition strategy as it expands on a relationship IBM had with Spain's MSS, a business we acquired in 2018.

It furthers our ambitions with global enterprise customers as the alliance is an endorsement of our technology platform and our proposition by one of the world's largest and most successful technology companies. Finally, with IBM being a world leader in artificial intelligence (AI), we expect the relationship to further strengthen our technological leadership in the translation sector.

The Lingotek acquisition extends our position in the important US translations market, adds over \$11 million in annual incremental revenue and establishes new relationships with enterprise customers that over the longer term offer us new opportunities.

## \$41.2m

### Proforma revenue

Lingotek also strengthens our technology stack by giving us access to translation connectors that allow our customers to seamlessly integrate their business applications with our translation platform. These connectors will further enable us to deliver the fastest, easiest and smartest translations to our customers around the globe.

***“Finally Lingotek also establishes a new subscription revenue stream for Straker that we believe will grow in importance and drive growth in shareholder value.”***

Both agreements are covered later in this report (see page 15 for IBM and page 16 for Lingotek), but the achievements they represent are not isolated cases. The acquisition in the last quarter of the 2020 financial year of NZTC, New Zealand's oldest translation company, has added scale in our home market, extended our presence in the Asia Pacific and established relationships with enterprises such as Fonterra, Orica and New Zealand government departments. We are also harvesting the synergies that come with the integration of such acquisitions into our global family of companies.



## Financial results

Our financial results tell a similarly positive story.

While COVID-19 moderated growth, with some customers cancelling or deferring translation work, we have still seen positive gains in both revenue and earnings.

Total revenue for the 2021 financial year was \$31.3 million, a 13% improvement on the prior year's \$27.7 million. The increase was driven by acquisitions including Lingotek in the fourth quarter of the year and NZTC in the last quarter of the 2020 financial year. It also reflected a growing recognition among enterprise customers of Straker's global reach and the benefits of our Ai-Powered RAY translation platform. Including a full year contribution from Lingotek, unaudited proforma revenues have risen to \$41.2 million, a 48% improvement on the prior year. We are rapidly approaching the aspirational target of \$50 million in annualised revenues that we discussed at the time of our initial public offer in 2018.

Gross margins were slightly weaker falling to 53.4% from 54.8% in the same period a year ago, largely reflecting the short-term dilutionary impact that acquisitions have on group margins and the challenges of COVID-19.

However, in the final quarter of the year gross margins improved to 57.8% with the high-margin Lingotek subscription revenue making a strong contribution to the uplift.

Operating costs increased 12% to \$19.7 million from \$17.6 million in the same period a year ago, with the increase driven by the costs of scaling up for the IBM contract and the effect of consolidating Lingotek. We were of course able to moderate the increases through tighter management of costs reaping the synergies of recent acquisitions and a resilient performance across the group's broader operations.

The adjusted EBITDA<sup>1</sup> loss, which excludes non-recurring acquisition, integration and other non-operating costs narrowed 66% to \$0.2 million from a loss of \$0.6 million in the prior year. Net losses after tax were \$6.0 million, against the \$2.5 million in the same period last year with revenue gains offset by adverse foreign exchange movements and higher interest costs.

## Funding and cashflows

Total cash outflow for the year improved significantly to \$3.6 million from an outflow of \$7.4 million in the prior year. The outcome reflected a resilient performance in the face of adverse currency movements and the slowdown and disruption in the industry caused by

COVID-19. Straker remains well funded, with our cash position benefiting from an \$8 million loan to finance the Lingotek acquisition. We ended the year with \$7.2 million down slightly on the \$7.3 million at the end of the third quarter and \$11.2 million at the end of the prior financial year.

## Building on our strengths

Our immediate focus for the current year is to execute on the opportunities that have emerged from the IBM alliance and the acquisition of Lingotek.

Content delivered to IBM since the alliance went live in January 2021 is growing exponentially, with volumes at the end of April substantially ahead of February. We expect strong growth in volumes to continue over the coming months.

We are ramping up resources to meet IBM's needs, including the hiring of people in roles ranging from software engineers through to account executives as well as expanding our pool of contract translators. The value and contribution to group revenue of the IBM alliance will become more readily apparent over the coming quarters.

***“We will continue to build on the relationships that exist across the Straker family of global operations, but the possibilities, including those that have emerged from the Lingotek acquisition, are exciting. Indeed, in the fourth quarter of the year our view was validated when Lingotek added a significant global brand, Panasonic, to its customer stable alongside others such as Nike, Zoom and Siemens AG.”***

Our enterprise relationships span a broad cross section of the global economy from technology and transport through to retail and entertainment.

<sup>1</sup> Adjusted EBITDA is a non-IFRS measure. Refer to pages 22 and 27 for explanation and reconciliation to IFRS financial information.

# Chairman and CEO's Report continued

***“Global companies are now looking for global suppliers with productivity enhancing technology like our RAY platform, this is creating a significant opportunity for organic growth.”***

The sales cycles for these companies take longer as these customers seek validation of our technology and assess our capabilities across the breadth of languages and applications they need. However, as the IBM contract shows, the rewards to Straker can be significant.

The Lingotek acquisition has demonstrated how translation technology can be deployed on a subscription basis. We are turning our attention to replicating this capability into the RAY platform. Such an approach offers clear benefits to customers through the bundling of premium services such as translation connectors and translation validation into the subscription price.

Building subscription revenues also entrench our relationships with customers and offers new opportunities to meet more of their needs. Revenue from subscription relationships is also more predictable and is highly valued by capital markets. Our strategic acquisition of COM Media in 2019 delivered over the past year as more customer supply agreements required us to have a strong media capability, something we have grown into our technology off the back of the COM acquisition. This was instrumental to winning the IBM business. In May, Straker provided subtitling for IBM's premier annual THINK 2021 conference, building on our success with IBM's 2020 event. Like the 2020 event, THINK 2021 was held virtually due to COVID-19 and required creating subtitles for 65,000 minutes of video, equivalent to 1.4 million words, within just 17 working days.

Finally, we remain committed to continuing to participate in the consolidation of the translation sector. Despite the challenges of COVID-19, the pandemic is also creating new opportunities for the Company.

The deferral or cancellation of work due to COVID-19 has stressed smaller translation companies that were already struggling to adapt to the transformation and disruption in the sector. This has had the effect of increasing the pressures for consolidation.

We are engaging with a broad range of companies that offer new relationships, geographies, capabilities, and are synergistic with our existing operations.

## **Technology development**

Our technology is a core enabler of our strategy. Pivotal to the success of the IBM relationship is the development of an application programming interface (API) that will allow the company to directly link its system with ours. We are making good progress on that project. We are meanwhile working to port Lingotek's translation connectors with Ai-Powered RAY platform ensuring all our customers can benefit from the productivity and service benefits they offer. Finally, we continue to work to increase the scalability and availability of our platform to handle the growing volume of translation content we are now managing (see page 18 of this report).

## **People**

The successes of the past year take on greater significance when considered alongside the professional and personal challenges of the COVID-19 pandemic and the global economic disruption it has caused.

It has been inspiring to watch how our global team has responded to the significant constraints the pandemic has imposed. Our team has been unable to travel to meet customers and complete transactions, we have been forced to work from home for long periods. And, even when we have returned to the office, we have faced new public health requirements.

***“On behalf of shareholders, we thank the directors, the senior leadership team and our staff across the globe for their outstanding effort and their commitment to the vision we all share for the company.”***

***“Straker is committed to maintaining its position as a change maker in the global translations sector. We will achieve this through our technological leadership and innovation, strong relationships with the world’s leading enterprise companies and a committed team.”***

### **Outlook**

The year ahead remains uncertain. We are encouraged by the success of public health and COVID-19 vaccination programmes in many of our core markets. These successes hold out the prospect for a return to normal trading conditions, but we are taking nothing for granted.

Nevertheless, we remain optimistic. We expect to continue to grow in the year ahead with progress underpinned by the IBM alliance and the opportunities that have emerged with the acquisition of Lingotek and others before it. We also expect to reap the benefits that come with the integration of these companies into Straker and the ongoing focus on carefully managing our costs and cash reserves.

We look forward to providing a further update to shareholders at our annual meeting in August.



**Phil Norman**  
Chairman



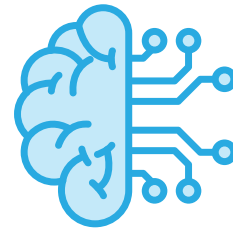
**Grant Straker**  
Chief Executive Officer



# Our Strategy

## Straker Translation's strategy is built on innovation and growth

What we achieved during the year:



### Grow customer base

We expand through organic and acquired growth to capture opportunities and value as the translation industry consolidates.

Achieved record full year sales of \$31.3 million up 13% on the prior year.

- Acquired Lingotek, dramatically expanding our US footprint.
- Grew our enterprise customer base through organic and acquisitive growth. New relationships include IBM, Nike, Zoom, Siemens AG and Panasonic.

### Increase repeat revenue

We use our proprietary technology, global services and network of expert linguists to grow repeat revenues while maintaining our high margins.

- Established a strategic translation alliance with IBM.
- Delivered margin and sales improvements at our recent acquisitions NZTC (New Zealand) and On-Global (Spain) as they integrated our technology into their businesses and grew their enterprise customer bases.
- Strengthened relationships with large enterprise customers and increased our share of their global spend on language services.
- Acquired a subscription revenue stream through the acquisition of Lingotek and began development of similar offer across our operations.

### AI driven technology innovation

We are disrupting our industry by combining machine and human intelligence and using data-driven insights to dramatically improve the localisation process.

- Delivered upgrades to the RAY Application programming interface making it easier for customers to integrate their systems with ours.
- Increased the availability and scalability of RAY to meet growing demand from large enterprises in the media sector.
- Working to deliver subscription capability to the RAY platform.
- Extending our suite of translation connectors to allow customer to seamlessly link their systems with ours.
- Delivered subtitles for IBM's THINK2020 virtual event covering eight languages and reaching their extensive client base.



# Extending our Reach

## IBM and Lingotek – A strategic alliance and an acquisition driving a step change in Straker’s growth

New relationships, industry leading technology, a fast growing North American presence and a building reputation among global enterprises.

These are the benefits of the transformative agreements struck towards the end of the 2021 financial year:

The strategic alliance with IBM sees Straker become the Fortune 500 company’s global translation provider. Meanwhile Lingotek has delivered Straker complementary technology, a stronger presence in the important US market and, again, new relationships with the world’s largest companies.

Here we profile the organisations and detail how they are playing a pivotal role in shaping the future at Straker.





# Partnering with Big Blue

## Who is IBM?

Nicknamed, 'Big Blue', IBM is one of the world's best known and largest technology companies, selling technology, software and consulting services. It is based in Armonk, New York and has operations in 170 countries. It is one of the 30 companies included in the Dow Jones Industrial Average, the benchmark index of the largest publicly traded companies in the US. It is also one of the world's leading innovators in artificial intelligence. In the 2020 financial year it had revenues of US\$73.6 billion, made a profit of US\$5.6 billion and had more than 345,900 employees, making it one of the largest employers in the world.

## Why does IBM need language services?

With operations and customers spanning the globe, IBM has huge demand for translations across its entire operation in a broad range of languages. These translations extend from corporate and customer communications, through to websites, apps, product and real-time events that need to be broadcast across multiple territories.

## What is the agreement it has struck with Straker?

Straker and IBM have an initial two-year agreement, that will see Straker support IBM Cloud Services (IBM's cloud computing platform), IBM Adaptive Translations (IBM's in-house translation platform) and IBM Global Media Localisation. It extends Straker's relationship with IBM from 1 language (Spanish) to 55 languages with IBM Adaptive Translations and 33 Languages for IBM Global Media Localisation. It will also directly link Straker's proprietary Ai-Powered RAY with IBM's technology platforms.

## What does the agreement mean for Straker?

- **Revenue growth.** The agreement kicked off at the start of January this year, but already it is figuring in Straker's financial performance. We continue to experience a substantial increase in content through-put.

- **A strong endorsement of our global capabilities.** A commitment from a global leader such as IBM is a strong endorsement of Straker's technology leadership. We are now working hard to ensure the agreement is the start of an enduring partnership with IBM, which in turn will continue to build Straker's credibility as a translation sector innovator. Delivering on our commitments to IBM will also further position us to build on the broad relationships we enjoy with global enterprises around the world.
- **New people.** The deal is seeing an expansion of the global team. In the fourth quarter 11 new people joined the Straker team in roles spanning technology development to strategic project managers to deliver for IBM and other customers around the world. However, the majority of our recent recruits are dedicated to meeting our commitments to IBM. This does translate into extra costs ahead of growth in revenue.

## How did Straker win the deal?

The agreement with IBM is validation of our strategy to accelerate growth through the acquisition of companies that, among other qualities, enjoy strong relationships with global enterprises that could benefit from our technology and our global reach and service proposition.

Straker established its relationship with IBM through its acquisition of MSS in Spain in 2018. Soon after MSS was integrated into Straker and implemented the Ai-Powered RAY translation platform, it became clear Straker could offer IBM more.

## What do we think about the deal?

We are delighted. We see the deal with IBM as a massive win for the company and a strong endorsement of our strategy. It also shows the market is developing exactly as we said it would at the time of our initial public offer with technology driving the consolidation of the industry as innovations such as artificial intelligence automate and transform the translation sector. Now we are hard at work delivering on our commitments.

# Making a Mark in North America

## Who is Lingotek and what does it do?

Lingotek is a Utah, US-based technology driven translations services company with a mission to give content creators easy to use translation capabilities. It provides translation technology and services to a broad range of global companies including the global sports brand Nike, the enterprise communications leader Zoom and the global technology powerhouse Siemens AG. In the year to the end of December 2020 it generated sales of US\$7.9 million and it has 51 employees.

## Why Lingotek?

Lingotek is a well-established company with great customers and a strong presence in the vitally important multi-billion-dollar US translation services market. It has also developed industry leading translation services technology that complements our existing technology. It extends our global footprint, further enhancing our ability to service global enterprise customers and offers synergies including the gains that will come from integrating Ai-Powered RAY translation platform with Lingotek's excellent suite of CMS Connectors

## Tell us about the technology?

A key rationale for acquiring Lingotek is its broad suite of innovative translation connectors, which it has developed over many years. These are the application programming

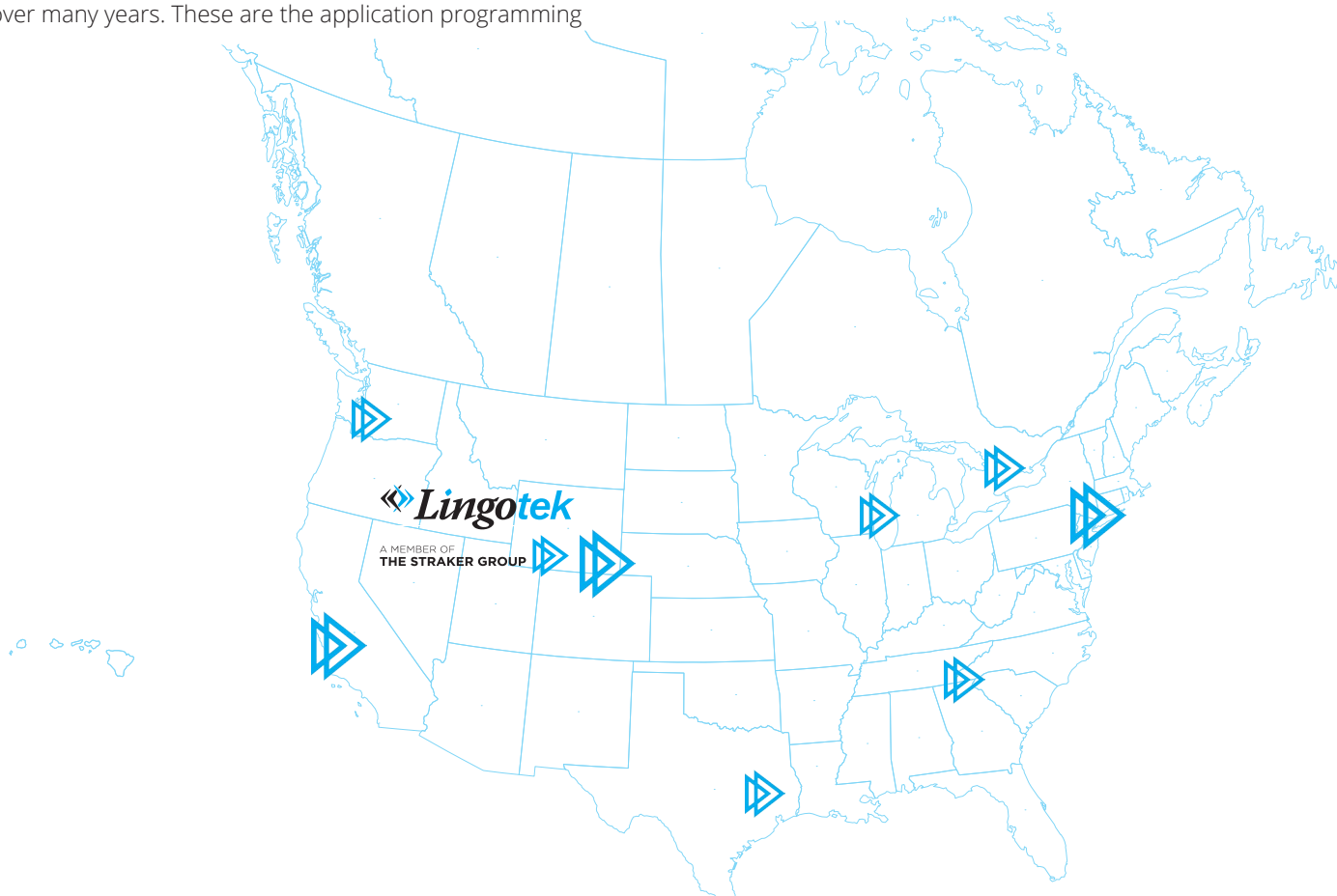
interfaces that can connect critical business applications with translation management software, avoiding the need for content authors to switch between applications. Lingotek has 17 of these connectors including those that interface with WordPress, Adobe, Salesforce, Marketo, Oracle, Drupal and others. These connectors will, overtime, be ported to our Ai-Powered RAY platform.

## How much did Straker pay for Lingotek?

Straker has agreed to pay US\$6.47 million in cash and shares and a deferred payment contingent on the company delivering on certain performance targets over the coming two years.

## When will Lingotek start making a contribution to financial performance?

It will provide an immediate boost to group revenue and we think it will begin to make a positive contribution to group EBITDA in the 2022 financial year. However, the gains that come with the strategic benefits of the deal, including the translation connector technology, Lingotek's customer relationships and its strong US presence, will deliver significant value to the broader group over the longer term.



# Delivering on our Acquisition Strategy

## NZTC customers are enjoying the Ai-Powered RAY platform's service quality, speed and project management capabilities

The Wellington-based New Zealand Translation Centre Limited (NZTC International) is delivering on the promise we saw when we acquired it in February 2020.

NZTC, New Zealand's oldest translation company, with more than 30 years' experience in translations and interpretation, added scale in our home market and broadened our presence in the Asia Pacific region. It offered us the opportunity to grow revenues across NZTC's customer portfolio, which includes ResMed, Orica, Fonterra and the New Zealand Government. It also added a strategic capability to the business - real time interpretation - a service that is essential to governments and multinational enterprises around the world. With the acquisition we also gained a talented team and the success they are having in the APAC region.

We are seeing synergies from the integration of the business into Straker's global operation and the deployment of Ai-Powered RAY platform across NZTC's client base. These gains include improved margins, while customers are enjoying improvements in service range, quality, project management capabilities and speed.

## Further evidence of a successful acquisition strategy

The acquisition of Lingotek, NZTC International and our strategic alliance with IBM all deliver proof of our successful acquisition strategy. The IBM deal emerged out of a relationship established by Spain's MSS, which we acquired in 2019. Meanwhile Lingotek meets all our acquisition criteria and delivers us complementary technology.

## What we look for in acquisition targets



### Enterprise Customer

Good base of enterprise customers



### Geography

Location with strategic value



### Gross Margin Uplift

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



### Cost Consolidation

Ability to consolidate costs



### In Market Sales Resources

Good sales account management and growth focused people in the team



### Wide Customer Spread

Extensive Global reach



# AI Driven Technology Innovation

## Delivering faster easier smarter translation

Straker’s strategic advantage over its competitors relies on our technological leadership. Over the last 12 months we have worked hard to extend our lead with enhancements both to the core Ai-Powered RAY platform and the interfaces that allow it to connect with the myriad of complex enterprise systems around the globe. The goal of these efforts, as always, is faster, easier, and smarter translations.

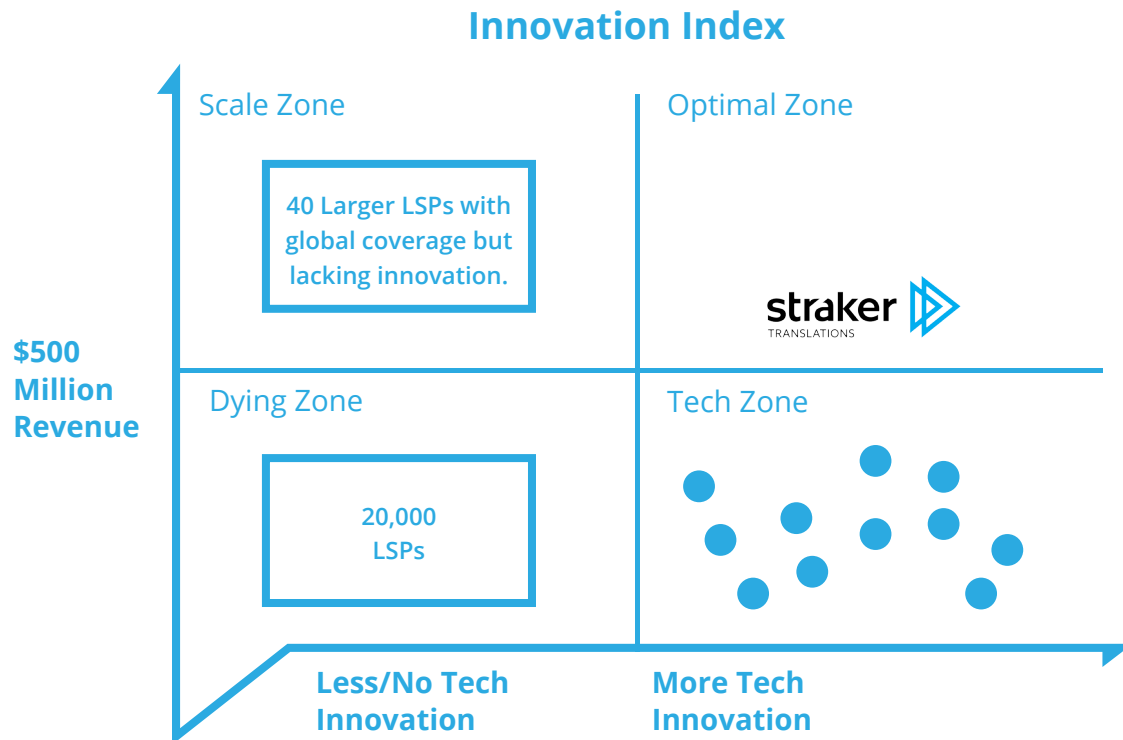
In the second half of the 2021 financial year, following the signing of our strategic alliance with IBM and the acquisition of Lingotek, the focus of our technology development efforts has been working with both organisations to ensure we make the most of the opportunities they offer. This work continues in the new financial year.

## Lifting RAY’s scalability and availability

As demand for Straker’s translations grow so does the number of people using the RAY Platform and the processing demands put on it. Customers use the platform to order, track and report on job process, choose translators and validation teams and approve finished jobs. Meanwhile, our platform is hosting our crowd-sourced translators to complete and validate translations.

We are meeting the increasing demands with developments to enhance availability for customers and translators, ensuring a fast, robust and easy translation process. We have also enhanced our application user and programming interfaces to make it easier for clients and developers to connect to our platform.





### Building connections with global enterprises

Straker achieves its goal of the fastest, easiest, and smartest translations by linking its systems with those of its customers. It is towards this goal that the Straker technology development team has been directing a significant share of its efforts over the last year.

A key technology establishing those data links are translation connectors that allow enterprise applications to connect seamlessly to the RAY platform.

The connectors allow translations to take place within these platforms, avoiding or reducing the need for messy reformatting and recoding of translated texts, improving the customer experience and accelerating the rate at which translations can be completed.

Straker's technology team devoted considerable time in developing three connectors including one for Moodle (an open-source learning platform used by universities and education centres around the world), and the content management systems, Adobe Experience Manager and Sitecore. With the completion of the IBM alliance and the Lingotek acquisition, the team has pivoted to development work that links Lingotek connectors and systems with our Ai-Powered RAY platform. With IBM the first step has been to develop an application programming interface (API) that allows

IBM to directly link its systems to the RAY platform, ensuring that a multitude of IBM applications involved in translations work seamlessly with RAY. The API is the first stage in the work programme which over the longer term will seek to put all translations through the RAY translation API.

A key rationale for the Lingotek acquisition was its broad suite of translation connectors. Ensuring these connectors can interface with the RAY platform gives enterprise customers the choice to transition to Ai-Powered RAY or continue to use Lingotek's own translation management system.

### Taking IBM to the world

Straker provided translations for IBM's Think 2020, the company's premier client and developer conference. The event was held virtually and streamed in several countries and saw Straker deliver translated content for 222 videos across 10 days. Straker has just completed the project for Think 2021, which saw an increase to 345 videos spanning 8 languages and totalling 1.4 million words across just 17 days.

# 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 and ASX listed Plexure Group Limited (a customer engagement software company), Chair of NZX listed Just Life Group Limited (a water cooler, home ventilation and supplements business) and Chair of Touchpoint Group Limited (a software company specialising in customer interaction platforms).

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.



### **Amanda Cribb**

#### **Independent Non-Executive Director**

Amanda was appointed as a Straker Director on 20 July 2020. She is an experienced executive with extensive experience in the technology sector including more than 15 years in executive leadership roles. She has expertise in finance, transformation, strategy, corporate investment and M&A, and has a proven track record as a change agent in high growth companies. Until recently, Amanda was Group CFO, Company Secretary and Head of Transformation and Strategy for Datacom Group, New Zealand's largest technology company.

At Datacom, Amanda was responsible for finance, strategy, commercial, legal and risk operations across the Group. Prior to her role at Datacom, Amanda spent ten years at IT consulting company Zag Limited (formerly Soltius NZ Limited), including seven years as CFO and Company Secretary.

In this role, Amanda had leadership of finance, people, technology, and commercial operations and helped drive the Company through its early stage growth. Amanda is a full member of Chartered Accountants Australia & New Zealand (CA ANZ) and a member of the New Zealand Institute of Directors.



### **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. Actual events and the timing of events may vary.

All amounts are presented in New Zealand dollars unless otherwise stated. Straker is a New Zealand incorporated company and has a 31 March year-end balance date. References to FY20, FY21 and FY22 refer to the 12 months ended 31 March in the respective years.

## 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 New Zealand International Financial Reporting Standards.

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 restructuring 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 New Zealand 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 s299 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 Artificial Intelligence (AI) data-driven translation platform powering the global growth of businesses.

Straker has developed a hybrid translation platform that uses 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 in-house and third party owned engines) to create a first draft translation and subsequently matches the customer's content with one or more of the approximately 10,000 crowd-sourced human freelance translators for refinement.

This process is managed using Straker's proprietary Ai-Powered RAY 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 Ai-Powered RAY 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.

The global language services market was recently estimated at US\$55 billion in 2020 and is projected to reach US\$73.6 billion by 2021<sup>1</sup>, growing at a compound annual growth rate of 6.0% .

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; and
- regulatory authorities mandating translation of content, particularly in the European Union.

1 <https://www.nimdzi.com/nimdzi-100-top-lsp/#market-size-growth>



### Competitive positioning

The translation services market is highly fragmented with thousands of small companies across the globe offering personalized services to customers in local geographies. Such companies rarely use 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 the integration of our sophisticated Ai-Powered RAY platform and synergy benefits from geographic consolidation.

As Straker scales its business, its ability to enhance its offerings is improving, 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 FY21 year the company made a significant acquisition of the US-based Lingotek, which on an annualised basis is contributing an incremental \$11 million to Straker's revenue. It was also appointed strategic translation provider to International Business Machines in an agreement that is expected to make a material contribution to revenue and earnings in FY22.

### 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, using our world-class Ai-Powered RAY translation 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 Application Programming Interfaces (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 9 countries around the globe offering 24/7 delivery capability and services using more than 10,000 translators we have scale on tap and can deliver large and urgent projects quickly.
- 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 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 research and development 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 language services. Services are primarily charged on a rate per word basis, with the rate varying depending upon the language pair.

Following the acquisition of Lingotek it also generates revenue from customers who subscribe to the company's translation management platform (subscription revenue). The company also generates revenues from Media and interpretation services, which are not currently material from a segment disclosure perspective, and professional services related to the provision of the translation management platform.

## Revenue growth

Types of goods and services	2021 \$000	2020 \$000	Change %
Language services	30,293	27,736	9%
Subscriptions	856	-	
Professional services	173	-	
	<b>31,322</b>	<b>27,736</b>	<b>13%</b>

Total revenue for the 2021 financial year was \$31.3 million, a 13% improvement on the prior year's \$27.7 million. The increase was driven by acquisitions including Lingotek, which also contributed \$856,000 in subscription revenue, and NZTC International which was acquired in the last quarter of the 2020 financial year.

The revenue growth also reflected a growing recognition among enterprise customers of Straker's global reach and the benefits of our Ai-Powered RAY translation platform. Professional services revenue of \$173,000 was generated from value-add services related to the translation management platform.

## Revenue by region

	<b>2021</b>	<b>2020</b>	<b>Change</b>
	<b>\$000</b>	<b>\$000</b>	<b>%</b>
APAC	7,593	3,993	90%
EMEA	14,246	14,787	-4%
NAM	9,483	8,956	6%
<b>Total</b>	<b>31,322</b>	<b>27,736</b>	<b>13%</b>

Growth in regional revenue largely reflects the same trends as operating revenue growth. Growth in the Asia Pacific region reflected the acquisition of NZTC International and the IBM contract win. Growth in North American revenues reflected the two months contribution of Lingotek.

Straker also grew from expanding technology enabled translation services offered to a number of existing enterprise customers. These gains were moderated by the COVID-19 pandemic, which slowed revenue generation, particularly in the first half of the year.

## Gross margin

	<b>2021</b>	<b>2020</b>	<b>Change</b>
	<b>\$000</b>	<b>\$000</b>	<b>% point</b>
<b>Gross margin (%)</b>	<b>53.4%</b>	<b>54.8%</b>	<b>-1.4%</b>

Straker seeks to improve gross margin by feeding more translation volume through the RAY Ai platform. Gross margins for the year were slightly weaker falling to 53.4% from 54.8% in the same period a year ago, largely reflecting the short-term dilutionary impact that acquisitions have on group margins, the on-boarding of IBM, and the challenges of COVID-19.

However, in the final quarter of FY21 gross margins improved to 57.8% with the high-margin Lingotek subscription revenue making a strong contribution to the uplift.



# Management Commentary Continued

## Statutory results

	2021 \$000	2020 \$000	Change % point
Revenue	31,322	27,736	13%
<b>Gross Margin</b>	<b>16,718</b>	<b>15,200</b>	<b>10%</b>
<i>Gross Margin %</i>	53.4%	54.8%	-1.4%
Other Income	562	62	806%
Depreciation & Amortisation	(1,801)	(1,263)	43%
Operating expenses excluding D&A	(17,888)	(16,377)	9%
<b>Operating expenses</b>	<b>(19,689)</b>	<b>(17,640)</b>	<b>12%</b>
<i>Percentage of operating revenue</i>	-62.9%	-63.6%	0.7%
<b>Loss from trading operations</b>	<b>(2,409)</b>	<b>(2,378)</b>	<b>1%</b>
<i>Percentage of operating revenue</i>	<b>-7.7%</b>	<b>-9.0%</b>	<b>1.3%</b>
Amortisation of acquired intangibles	(1,431)	(1,155)	24%
Acquisition & Integration costs	(509)	(772)	-34%
Impairment of intangible assets	-	(799)	
<b>Operating loss before net finance (expense)/income</b>	<b>(4,349)</b>	<b>(5,104)</b>	<b>-15%</b>
Net Finance income / (expense)	(1,896)	2,392	-179%
Loss before income tax	(6,245)	(2,712)	130%
<i>Percentage of operating revenue</i>	-19.9%	-9.8%	-10.1%
Income tax credit	229	190	21%
<b>Net loss after tax</b>	<b>(6,016)</b>	<b>(2,522)</b>	<b>139%</b>

Revenue for the 2021 financial year was \$31.3 million, a 13% improvement on the prior year's \$27.7 million. The increase was driven by acquisitions including Lingotek and NZTC as well as a growing recognition of Straker's capabilities from global enterprises. On a nominal (dollars generated) basis, gross margin was up 10.0% year-on-year to \$16.7 million, reflecting the contribution of recent acquisitions.

Operating expenses, excluding depreciation and amortisation, of \$17.9 million were up 9% on FY20 due to the costs of scaling up to deliver on the new IBM contract, the full year of NZTC, and the effect of consolidating Lingotek. The loss from trading operations increased 1% to \$2.4 million with an increased nominal gross margin contribution offset by higher operating expenses and higher depreciation and amortisation.

The loss before income tax was \$6.2 million, which was higher than the prior year's \$2.7 million due principally to unrealised foreign exchange losses (which reversed a \$2.4 million gain in finance expenses in the prior year to a loss of \$1.9 million), higher interest cost and the amortisation of intangible assets from recent acquisitions.

**Earnings before interest, tax, depreciation and amortisation**

	<b>2021</b>	<b>2020</b>	<b>Change</b>
	<b>\$000</b>	<b>\$000</b>	<b>% point</b>
Operating loss before net finance (expense)/income	(4,349)	(5,104)	-15%
Add:			
Depreciation & Amortisation	1,801	1,263	43%
Amortisation of acquired intangibles	1,431	1,155	24%
Impairment of intangible assets	-	799	
<b>EBITDA</b>	<b>(1,117)</b>	<b>(1,887)</b>	<b>-41%</b>
<i>EBITDA Margin</i>	-3.6%	-6.8%	3.2%
Acquisition & Integration costs	509	772	-34%
Other non operating costs	410	534	-23%
<b>Adjusted EBITDA</b>	<b>(198)</b>	<b>(581)</b>	<b>-66%</b>
<i>Adjusted EBITDA margin</i>	-0.6%	-2.1%	1.5%

EBITDA losses narrowed by 41% to \$1.1 million from \$1.9 million in the prior year reflecting the contribution of acquisitions and organic revenue growth. Adjusted EBITDA loss, which excludes non-recurring acquisition, integration and other non-operating costs narrowed 66% to \$0.2 million from a loss of \$0.6 million in the prior year

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

# Management Commentary Continued

## Cashflow

	<b>2021</b>	<b>2020</b>	<b>Change</b>
	<b>\$000</b>	<b>\$000</b>	<b>% point</b>
Receipts from customers	31,444	27,125	16%
Other operating cash flows	(31,764)	(29,464)	8%
<b>Operating cash flow</b>	<b>(320)</b>	<b>(2,339)</b>	<b>-86%</b>
Capital Investment	(1,688)	(1,431)	18%
<b>Free cash flow</b>	<b>(2,008)</b>	<b>(3,770)</b>	<b>-47%</b>
Investment in acquisitions	(7,202)	(1,470)	390%
<b>Investing cash flow</b>	<b>(8,890)</b>	<b>(2,901)</b>	<b>206%</b>
Proceeds from borrowings	8,400	-	
Interest & transaction costs paid	(444)	-	
Net capital raise	73	(157)	-146%
Lease Liability	(462)	(535)	-14%
Deferred consideration and contingent payments	(1,937)	(1,510)	28%
<b>Net financing cash flow</b>	<b>5,630</b>	<b>(2,202)</b>	<b>-356%</b>
<b>Net cash flow</b>	<b>(3,580)</b>	<b>(7,442)</b>	<b>-52%</b>
<b>Opening bank balance</b>	<b>11,228</b>	<b>17,669</b>	<b>-36%</b>
Foreign exchange	(473)	1,001	-147%
<b>Closing bank balance</b>	<b>7,175</b>	<b>11,228</b>	<b>-36%</b>

Receipts from customers were up 16% to \$31.4 million, a figure which remains closely aligned to revenue growth with the differences reflecting the timing of payments.

Operating cash outflows for the year were close to break-even at \$0.3 million, an 86% improvement from an outflow of \$2.3 million in the prior year. This reflects an improved operating performance and tight cash management. Free cash outflow improved 47% to \$2.0 million from \$3.8 million in the prior year despite a 18% increase in capital investment.

Investing cashflows included \$7.2 million to acquire Lingotek and \$1.7 million in capital investment.

Financing cashflows benefited from an \$8.0 million loan from shareholders to fund the Lingotek acquisition offset by \$1.9m in deferred consideration payments. Straker continues to make deferred consideration and contingent payments to former shareholders of acquired companies. These payments demonstrate the success of the acquisition strategy for all parties involved.

Total cash outflow for the year was \$3.6 million. This represents a significant improvement on the prior year's cash outflow of \$7.4 million and reflects a continued resilient operating performance in the face of the challenges of adverse currency movements and the COVID-19 pandemic.

Cash reserves at the end of the period stood at \$7.2 million down on the \$11.3 million at the end of the same period a year ago, reflective of the increased investment outlay.

The company is in a strong position to continue to deliver on its strategy to be a leader in the consolidation of the global translation sector and support organic growth.

## **Strategy to deliver growth**

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

At the heart of our success is our market-leading proprietary Ai-Powered RAY technology platform that allows us to deliver faster easier and smarter translations than our competitors. Meanwhile as a smaller and rapidly growing company, Straker has the flexibility to capture market opportunities quickly.

## **Acquisition strategy**

Leveraging these capabilities, we seek to grow revenue organically and through acquisition to capture value and opportunities as the global translation sector consolidates.

We seek companies that have a good base of enterprise customers, that are in locations of strategic value such as developed markets in the Asia Pacific, Europe and the Americas. They must offer the potential for margin uplift as they integrate our technology into their operations, and they also need a strong and committed team.

Securing new customer relationships via acquisitions is frequently easier than developing these relationships via organic sales activity. Once acquired, Straker can offer these customers more innovative solutions that will provide productivity improvements and expansion opportunities. The IBM strategic alliance struck in the last year, which is this year expected to make a material contribution to revenue and earnings, is a strong validation of this approach as the alliance builds on a relationship established by Spain's MSS, which we acquired in 2018.



# **Straker Translations Limited and Group Financial Report**

FOR THE YEAR ENDED 31 MARCH 2021

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# Straker Translation Limited and Group Directors' Responsibility Statement

## for the year ended 31 March 2021

The Directors are pleased to present the consolidated financial statements of Straker Translations Limited for the year ended 31 March 2021.

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 2021 and the results of their operations and cash flows for the year ended 31 March 2021.

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 25 May 2021.



**Phil Norman**  
Chairman



**Grant Straker**  
Chief Executive Officer



# 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 2021, 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 2021, 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 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* 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 and corporate finance 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's goodwill balance of \$10.817m at 31 March 2021 is subject to an annual impairment test in accordance with NZ IAS 36 *Impairment of Assets*. This balance includes goodwill resulting from the Lingotek business combination of \$3.137m.

To assess whether impairment of the Group's goodwill exists, management performed their impairment test by considering the recoverable amount of the Group's goodwill using value in use calculations for each of the cash generating units. This calculation is complex and subject to key inputs and assumptions, such as discount rates, terminal growth rates and future cash flows, which inherently include a degree of estimation uncertainty and are prone to potential bias or inconsistent application.

Refer to note 14.4 (goodwill) of the consolidated financial statements.

##### How The Matter Was Addressed in Our Audit

- We obtained an understanding of key controls relating to the review and approval of the impairment review.
- We obtained management's value in use calculations prepared for each of the cash generating units and evaluated the key inputs and assumptions. The key inputs included revenue, growth rates, gross margin, costs, discount rates, and terminal growth rates.
- 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 considered the sensitivity of key assumptions to the value in use calculations. We have performed this in order to identify the cash generating units that required closer scrutiny
- We tested the mathematical accuracy of the value in use calculations.
- We engaged our internal valuation experts to assess that the methodology used is consistent with NZ IAS 36 *Impairment of Assets*, and to ensure appropriate discount rates were used.
- We reviewed disclosures in the consolidated financial statements, including impairment and sensitivity analysis in relation to the Lingotek cash generating unit, to the requirements of the accounting standard.
- We compared the carrying value of the CGUs' assets to the recoverable amount determined by the impairment test to identify any impairment losses.

# Independent Auditor's Report

to the shareholders of Straker Translations Limited



BDO Auckland

## Business combination - Lingotek

### Key Audit Matter

The acquisition of the Lingotek business and assets has occurred in the year.

In accordance with NZ IFRS 3 *Business Combinations*, the financial reporting of the acquisition involves determining the fair value accounting for assets acquired and liabilities assumed, as well as the identification of separately identifiable intangible assets. As a result, the Group has fair valued the contract liabilities (deferred revenue) assumed, as well as the recognition of a customer relationship intangible asset and a computer software intangible asset. There is a significant level of judgement required to determine the fair value of liabilities and intangible assets.

In addition, part of the consideration payable for the acquisition is contingent on future financial performance, resulting in the recognition of a contingent consideration liability. As recognition is dependent on forecast revenue and margin levels when compared to the prescribed revenue targets, the liability is 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 12 (business combination completed in the current year), note 14.2 (purchased computer software), note 14.3 (customer relationship assets), note 18.2 (contingent consideration) of the consolidated financial statements.

### How The Matter Was Addressed in Our Audit

#### *Fair value accounting for assets acquired and liabilities assumed as part of the business combination*

- We obtained management's assessment of identifiable assets acquired and liabilities assumed in the acquisitions. This included the determination of the deferred revenue liability at the acquisition date.
- We obtained management's fair value calculation for the deferred revenue liability, prepared in conjunction with an external valuation expert. We reviewed the key assumptions and inputs to the fair value calculation to supporting documentation, including the service delivery period to historical financial information; cost allocations to forecast financial information and the determination of such costs being direct, incremental costs to fulfil the performance obligations over the service delivery period; and the reasonable profit margin to management's expectations and forecast financial information.
- We performed audit procedures on the remaining book value of assets and liabilities at acquisition date to identify any unrecorded fair value adjustments.

#### *Intangible assets acquired as part of the business combination*

- 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, our understanding of similar acquisitions, and the requirements of the standard.
- We obtained management's fair value calculation for intangibles acquired in the business combinations, which included a customer relationship asset and a software asset. The calculations were prepared in conjunction with an external valuation expert.
- 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.
- We engaged our internal valuation experts to review the valuation methodologies used and the discount rate used.

#### *Contingent consideration liability*

- We reviewed sale and purchase agreements to identify the contingent consideration clauses and relevant earn out targets.
- For earn out clauses based on achieving revenue and margin 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.
  - Challenged management's assumptions and inputs to the budgets, focussing on revenue by customer, historical financial information (including prior to acquisition).
- We re-performed management's contingent consideration liability calculation based on actual and forecast revenue and margin to the prescribed earn out target.
- We have evaluated the adequacy of the disclosures of contingent consideration to ensure that they have adequately explain the key judgements and estimates made by the Directors.

# Independent Auditor's Report

to the shareholders of Straker Translations Limited



BDO Auckland

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## Revenue from contracts with customers - subscriptions revenue

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### Key Audit Matter

The acquisition of the Lingotek business and assets has occurred in the year. This resulted in a significant new revenue stream, namely subscriptions revenue.

The Group's subscriptions revenue includes platform licence fee and support services. Management has determined that these services are not distinct and therefore represent a single performance obligation; the bundled subscriptions revenue is then recognised over time on the basis that the customer receives and consumes the benefit as the Group performs its obligations.

Given the judgements involved, subscriptions revenue from contracts with customers was considered a key audit matter.

Refer to note 4 (revenue) of the consolidated financial statements.

### How The Matter Was Addressed in Our Audit

- We obtained an understanding of key controls relating to the review and approval of customer contracts, and the application of the standard.
- We reviewed management's assessment against the Group's accounting policy, customer contracts and the requirements of NZ IFRS 15 *Revenue from Contracts with Customers*.
- We reviewed revenue transactions recorded after acquisition date to the reporting date to supporting documentation, management's revenue recognition accounting policy and the requirements of NZ IFRS 15 *Revenue from Contracts with Customers*.
- We reviewed the disclosures to the financial statements, including accounting policies and revenue disaggregation.

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## Going concern

### Key Audit Matter

When preparing the financial statements, management and the Directors are required to make an assessment of the Group's ability to continue as a going concern for a period of at least 12 months from the date of signing.

The Group has negative net current assets of \$6.1 million (2020: positive net current assets of \$11.3 million) as a result of loans classified as current liabilities of \$8.4m. Included in the loans is \$8.0m taken out to acquire the assets and business of Lingotek, Inc. in February 2021. Therefore, to support to the going concern assumption, management was required to demonstrate how the Group will meet its obligations as and when they fall due.

Refer to note 2(d) (going concern) of the consolidated financial statements.

### How The Matter Was Addressed in Our Audit

- We obtained the Board and management's written going concern assessment paper. We have evaluated the conditions that may cast doubt on the Group's ability to continue as a going concern, management's plans to address these conditions, and the existence of any material uncertainties.
- We obtained the Group's cash flow forecasts for the foreseeable future period, being defined as 12 months from the date of these financial statements. We tested the reasonableness of the underlying assumptions and inputs, and considered downside scenarios.
- We obtained the executed letters and agreements with the Group's lenders that allows for repayment of loans to be deferred to at least 31 May 2022.
- We reviewed the going concern disclosures to the financial statements, which outline the conditions that may cast doubt on the Group's ability to continue as a going concern and management's plans to address these conditions.
- We considered the impact of the going concern assessment and related disclosures on our audit report.

# Independent Auditor's Report

to the shareholders of Straker Translations Limited



BDO Auckland

## Other Information

The directors are responsible for the other information. The other information comprises the Appendix 4E Report and Annual 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.

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 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, 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.

## 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 Richard Croucher.

*BDO Auckland*

BDO Auckland  
Auckland  
New Zealand  
25 May 2021

## Consolidated Statement of Profit or Loss and other Comprehensive Income

for the year ended 31 March 2021

	Notes	2021 \$'000	2020 \$'000
Revenue	4	31,322	27,736
Cost of sales		(14,604)	(12,536)
<b>Gross margin</b>		<b>16,718</b>	<b>15,200</b>
Other income	5	562	62
		17,280	15,262
Selling and distribution expenses		(8,989)	(9,396)
Administration expenses		(10,700)	(8,244)
<b>Loss from trading operations before amortisation of acquired intangibles, acquisition and integration costs, impairment of intangible assets</b>		<b>(2,409)</b>	<b>(2,378)</b>
Amortisation of acquired intangibles	14.3	(1,431)	(1,155)
Acquisition and integration costs		(509)	(772)
Impairment of intangible assets	14.4	-	(799)
<b>Operating loss before net finance (expense)/income</b>	6	<b>(4,349)</b>	<b>(5,104)</b>
Finance income		175	2,569
Finance expense		(2,071)	(177)
<b>Net finance (expense)/income</b>	7	<b>(1,896)</b>	<b>2,392</b>
Loss before income tax		(6,245)	(2,712)
Income tax credit	8	229	190
Loss for the year after tax attributable to shareholders		(6,016)	(2,522)
<b>Other Comprehensive Income</b>			
<i>Items that may be reclassified to profit or loss, net of tax</i>			
Foreign currency translation differences		732	(1,178)
<b>Total Comprehensive Income for the year attributable to shareholders</b>		<b>(5,284)</b>	<b>(3,700)</b>
<b>Earnings per share for the period attributable to the owners of the parent</b>			
Basic and diluted earnings per share (cents)	9	(11.25)	<b>(4.77)</b>

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 2021

	Notes	Share Capital	Accumulated Losses	Share Option Reserve	Foreign Currency Translation Reserve	Total Equity
		\$'000	\$'000	\$'000	\$'000	\$'000
<b>Group – 31 March 2021</b>						
<b>Balance 1 April 2020</b>		<b>40,786</b>	<b>(16,289)</b>	<b>323</b>	<b>(1,355)</b>	<b>23,465</b>
Loss for the year		-	(6,016)	-	-	(6,016)
Currency translation differences		-	-	-	732	732
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>(6,016)</b>	<b>-</b>	<b>732</b>	<b>(5,284)</b>
<i>Transactions with owners in their capacity as owners</i>						
Issue of share capital	21	1,759	-	-	-	1,759
Cost of issue of share capital	21	(16)	-	-	-	(16)
Share option cost expensed	27	-	-	137	-	137
<b>Balance 31 March 2021</b>		<b>42,529</b>	<b>(22,305)</b>	<b>460</b>	<b>(623)</b>	<b>20,061</b>
<b>Group – 31 March 2020</b>						
<b>Balance 1 April 2019</b>		<b>40,123</b>	<b>(13,767)</b>	<b>232</b>	<b>(177)</b>	<b>26,411</b>
Loss for the year		-	(2,522)	-	-	(2,522)
Currency translation differences		-	-	-	(1,178)	(1,178)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>(2,522)</b>	<b>-</b>	<b>(1,178)</b>	<b>(3,700)</b>
<i>Transactions with owners in their capacity as owners</i>						
Issue of share capital	21	676	-	-	-	676
Cost of issue of share capital	21	(13)	-	-	-	(13)
Share option cost expensed	27	-	-	91	-	91
<b>Balance 31 March 2020</b>		<b>40,786</b>	<b>(16,289)</b>	<b>323</b>	<b>(1,355)</b>	<b>23,465</b>

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 2021

	Notes	2021 \$'000	2020 \$'000
<b>Current Assets</b>			
Cash and cash equivalents		7,175	11,228
Trade receivables	10	5,752	5,854
Other assets and prepayments	11	3,074	1,518
<b>Total Current Assets</b>		<b>16,001</b>	<b>18,600</b>
<b>Non-current Assets</b>			
Capitalised software development	14.1	3,198	2,304
Purchased computer software	14.2	9,939	128
Customer relationship assets	14.3	4,845	3,369
Goodwill	14.4	10,817	7,590
Plant and equipment		335	289
Right-of-use assets	19	653	1,049
<b>Total Non-current Assets</b>		<b>29,787</b>	<b>14,729</b>
<b>Total Assets</b>		<b>45,788</b>	<b>33,329</b>
<b>Current Liabilities</b>			
Trade payables	15	2,971	682
Sundry creditors and accruals	16	2,655	3,118
Contract liability	17	5,234	600
Holiday pay liability		813	529
Deferred consideration	18.1	-	561
Contingent consideration	18.2	1,435	1,419
Lease liabilities	19	629	402
Loans and borrowings	20	8,400	-
<b>Total Current Liabilities</b>		<b>22,137</b>	<b>7,311</b>
<b>Non-current Liabilities</b>			
Contingent consideration	18.2	1,899	872
Lease liabilities	19	334	738
Deferred tax liability	8	1,357	943
<b>Total Non-current Liabilities</b>		<b>3,590</b>	<b>2,553</b>
<b>Total Liabilities</b>		<b>25,727</b>	<b>9,864</b>
<b>NET ASSETS</b>		<b>20,061</b>	<b>23,465</b>

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

## Consolidated Statement of Financial Position Continued

as at 31 March 2021

	Notes	2021 \$'000	2020 \$'000
<b>Equity</b>			
Share capital	21	42,529	40,786
Foreign currency translation reserve		(623)	(1,355)
Share option reserve	27	460	323
Accumulated losses		(22,305)	(16,289)
<b>TOTAL EQUITY</b>		<b>20,061</b>	<b>23,465</b>

Approved for and on behalf of the Board of Directors on 25 May 2021.



**Phil Norman**  
Chairman



**Grant Straker**  
Chief Executive Officer

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

## Consolidated Statement of Cash Flows

### as at 31 March 2021

	Notes	2021 \$'000	2020 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		31,444	27,125
Government grants and tax incentives		403	-
Interest received		19	76
Payments to suppliers and employees		(32,186)	(29,540)
<b>Net cash used in operating activities</b>	28	<b>(320)</b>	<b>(2,339)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of plant and equipment		29	10
Payments for capitalised software development		(1,497)	(1,191)
Payments for plant & equipment		(220)	(242)
Payments for purchased software		-	(8)
Payments for acquisition of businesses and subsidiaries, net of cash acquired	12	(7,202)	(1,470)
<b>Net cash used in investing activities</b>		<b>(8,890)</b>	<b>(2,901)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		8,400	-
Transaction costs related to borrowings		(200)	-
Interest paid		(244)	-
Proceeds from issue of shares		93	72
Cost of share issue		(20)	(14)
IPO related costs		-	(215)
Lease liability payments	19	(462)	(535)
Payment of deferred consideration		(561)	(230)
Payment of contingent consideration		(1,376)	(697)
Payment of acquired entity's loans and borrowings		-	(583)
<b>Net cash from financing activities</b>		<b>5,630</b>	<b>(2,202)</b>
Net (decrease) in cash and cash equivalents		(3,580)	(7,442)
Effect of exchange rate on foreign currency balances		(473)	1,001
<b>Cash and cash equivalents at beginning of the year</b>		<b>11,228</b>	<b>17,669</b>
Cash and cash equivalents at end of the year		7,175	11,228

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

# Notes to & forming part of the Financial Statements for the year ended 31 March 2021

## 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 New Zealand Companies Act 1993 and the Financial Reporting Act 2013.

For the purposes of complying with generally accepted accounting practice in New Zealand ("NZ GAAP"), the Group is a Tier 1 for-profit entity.

The principal activity of the Group is the provision of language 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.

### a) Basis of measurement

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

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

Amendments impacting the Group that have been adopted in the annual financial statements for the year ended 31 March 2021 are:

- *Interest Rate Benchmark Reform – IBOR 'phase 2'* (Amendments to NZ IFRS 9, NZ IAS 39 and NZ IFRS 7);
- *COVID-19-Related Rent Concessions* (Amendments to NZ IFRS 16); and
- *Going Concern Disclosures* (Amendments to NZ FRS 44).

*Interest Rate Benchmark Reform – IBOR 'phase 2'*  
*(Amendments to NZ IFRS 9, NZ IAS 39, NZ IFRS 7, NZ IFRS 4 and NZ IFRS 16)*

These amendments to various NZ IFRS standards are mandatorily effective for reporting periods beginning on or after 1 January 2021, however, the Group has adopted them early for the current reporting period. The amendments provide relief to Group in respect of certain loans whose contractual terms are affected by interest benchmark reform.

### *COVID-19-Related Rent Concessions (Amendments to NZ IFRS 16)*

Effective 1 June 2020, NZ IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- The reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- There are no substantive changes to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in NZ IFRS 16 in accounting for the concession.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. The practical expedient has been applied retrospectively, meaning it has been applied to all rent concessions that satisfy the criteria, which in the case of the Group, occurred from March 2020 to June 2020.

Accounting for the rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The effect of applying the practical expedient is not material to the financial statements.

### *Going Concern Disclosures (Amendments to NZ FRS 44)*

Effective 30 September 2020, the amendments introduce more specific going concern disclosures in circumstances where an entity's going concern assessment has involved significant judgement and the consideration of material uncertainties (refer Note 2d).



## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

### 2. BASIS OF PREPARATION (Continued)

#### c) Use of estimates and judgements

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

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

The directors have applied significant judgement in the Group's going concern assessment (refer Note 2d).

#### i) COVID-19 pandemic

An assessment of the ongoing impact of COVID-19 on the Group's financial statements has been set out below.

Financial statement area	Summary of COVID-19 impacts	Note for more information
<b>Other income</b>	The Group has received wage subsidies made available in New Zealand, Ireland and Japan in relation to COVID-19. This has been recognised as Other income.	Note 5
<b>Accounts receivable</b>	The impairment provision has increased \$0.12m in the current year. Of this, \$0.061m is due to changed expectations regarding counter-parties because of COVID-19.	Note 10
<b>Goodwill</b>	The goodwill balance of \$10.817m at 31 March 2021 was subject to annual impairment tests in accordance with NZ IAS 36 Impairment of Assets.  No cash generating units have been impaired.	Note 14.4
<b>Customer relationship assets</b>	The customer relationship assets balance of \$4.845m at 31 March 2021, being intangible assets with finite useful lives, were assessed for indicators of impairment. Indicators of impairment were identified and therefore the asset was subject to impairment tests in accordance with NZ IAS 36 Impairment of Assets.  No customer relationships assets have been impaired.	Note 14.3
<b>Contingent consideration liabilities</b>	The Group's contingent consideration liabilities of \$3.334m at 31 March 2021 were subject to re-measurement at the reporting date. The COVID-19 pandemic has impacted revenue and customer demand, and the consideration payable in the future is contingent on future revenue performance over two 1-year earn out periods.  Management has recognised an additional contingent consideration amount at 31 March 2021, as actual revenue for the period exceeded the revised revenue forecasts made at 31 March 2020. The revisions to the revenue forecasts have been adjusted for management's best estimation of the impact of COVID-19 on revenue and customer demand.	Note 18.2

# Notes to & forming part of the Financial Statements for the year ended 31 March 2021

## 2. BASIS OF PREPARATION (Continued)

### ii) **Business combinations completed in the current and prior period (Notes 12 and 13) 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 software intangible assets, and by considering the likelihood of the acquirees achieving revenue and gross margin earn out targets in determining the contingent consideration liabilities.

### iii) **Goodwill (Note 14.4)**

The directors have made significant judgement in considering the assumptions and inputs in the value-in-use calculations used to support the carrying value of goodwill.

### iv) **Capitalised software development (Note 14.1)**

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 11.1) and Contract liability (Note 17) recognition**

#### Language services revenue

Language services revenue 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.

Language services revenue received in advance 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.

#### Subscriptions

Subscription revenues received in advance for services not yet performed are deferred as contract liability on the Statement of Financial Position and recognised over time on a straight line basis over the duration of the contract.

### d) **Going concern**

The directors have prepared the financial report on a going concern basis.

The Group has negative net current assets of \$6.1 million (2020: positive net current assets of \$11.3 million) as a result of loans classified as current liabilities of \$8.4m.

Included in the loans is \$8.0m taken out to acquire the assets and business of Lingotek, Inc. in February 2021 (refer to Note 12).

At the date of this report the directors are satisfied there are reasonable grounds to believe that the Group will be able to continue to meet its debts as and when they fall due and that it is appropriate for the financial statements to be prepared on a going concern basis due the following factors:

- The directors monitor the Group's cash position and, on an on-going basis, consider a number of options to ensure that adequate funding continues to be available.
- The repayment of the \$8.0m loans can be deferred until the end of May 2022, while the Callaghan Innovation loan of \$0.4m can be extended out for a further 9 years.
- Cash flow forecasts have been prepared for a period to 31 May 2022 that indicate that the Group will be able to continue meet its obligations as and when they fall due.

## 3. SEGMENT REPORTING

The Group provides language services and language technology via subscriptions 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 & forming part of the Financial Statements for the year ended 31 March 2021

### 3. SEGMENT REPORTING (Continued)

Year ended 31 March 2021	APAC \$'000	EMEA \$'000	NAM \$'000	TOTAL \$'000
<b>Revenue</b>				
Language services	7,593	14,246	8,454	30,293
Subscriptions	-	-	856	856
Professional services	-	-	173	173
Other income	452	109	1	562
<b>Total income</b>	<b>8,045</b>	<b>14,355</b>	<b>9,484</b>	<b>31,884</b>

Cost of sales, Selling and distribution and Administration expenses	(7,490)	(16,050)	(10,753)	(34,293)
<b>Segment contribution</b>	<b>555</b>	<b>(1,695)</b>	<b>(1,269)</b>	<b>(2,409)</b>

Year ended 31 March 2020	APAC \$'000	EMEA \$'000	NAM \$'000	TOTAL \$'000
<b>Revenue</b>				
Language services	3,993	14,787	8,956	27,736
Other income	27	35	-	62
<b>Total income</b>	<b>4,020</b>	<b>14,822</b>	<b>8,956</b>	<b>27,798</b>

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)
<b>Segment contribution</b>	<b>(437)</b>	<b>(1,598)</b>	<b>(1,142)</b>	<b>(3,177)</b>

	2021 \$'000	2020 \$'000
<b>Reconciliation from segment contribution to loss before tax</b>		
Segment contribution	(2,409)	(3,177)
Amortisation of acquired intangibles	(1,431)	(1,155)
Acquisition and integration costs	(509)	(772)
Net finance (expense)/income	(1,896)	2,392
<b>Loss before income tax</b>	<b>(6,245)</b>	<b>(2,712)</b>

## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

### 4. REVENUE

The Group recognises revenue as follows:

#### **Revenue from contracts with customers**

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects revenue dependent on factors such as input hours, words translated, and costs incurred. Normally these factors are known at time of recognition. If estimates are required, these are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue.

The accounting policy and key judgements for the Group's material revenue streams are outlined below.

#### **Language services**

The Group's Language Services contracts with customers provide for the Group to be reimbursed for their performance under the contract as the work is undertaken.

The Group's performance obligations towards customers, in the majority of the Group's contracts, are for the provision of language services as a single delivery.

As the Group has an enforceable right to remuneration for the work completed up to that stage and there is

no alternative use for the translated asset, the Group recognises revenue over time for this performance obligation.

The Group measures the completeness of this performance obligation using input methods. The relevant input method is the cost incurred to date as a proportion of total costs, in determining the progress towards the completion of the performance obligation for Language Services contracts.

Language services revenue 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.

#### **Subscriptions**

The Group recognises revenue pursuant to software licence agreements upon the provision of access to its customers of the Group's intellectual property as it exists at any given time during the period of the licence.

The Group's Subscription revenue is derived from software platform access and support services contracts with customers.

The Group has determined that the software access and support services are only one performance obligation, which is to provide the platform services to the customers over the contracted period. The customer could not benefit from deployment of the platform on its own and separately from the platform access, and as such there is no distinct performance obligation.

The customer receives and consumes the benefit as the Group performs its performance obligation, therefore control is transferred over time.

Revenue is therefore recognised over the duration of the agreement or for as long as the customer has been provided access, when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectability is probable.

Revenue received for services not yet performed are deferred as a contract liability on the Statement of Financial Position, and recognised over the contract period as the performance obligation is completed.

#### **Professional services**

Professional services revenue comprises fees charged for value-add services which are one-off charges. Revenue is recognised over time based on input hours.

## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

### 4. REVENUE (Continued)

#### a. Disaggregated revenue information

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

#### Types of goods and services:

	<b>2021</b> <b>\$'000</b>	<b>2020</b> <b>\$'000</b>
Language services	30,293	27,736
Subscriptions	856	-
Professional services	173	-
<b>Revenue from contracts with customers</b>	<b>31,322</b>	<b>27,736</b>

Additional disaggregation of the Group's revenue by segment is included in Note 3.



## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

### 5. OTHER INCOME

	<b>2021</b> <b>\$'000</b>	<b>2020</b> <b>\$'000</b>
Government grant income	458	-
Miscellaneous income	104	62
	<b>562</b>	<b>62</b>

The Group received government grant income in the current period. Government grants are not recognised until there is reasonable assurance that:

- (a) the entity will comply with the conditions attaching to them and
- (b) the grants will be received.

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

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

## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

### 6. OPERATING LOSS BEFORE NET FINANCE (EXPENSE)/INCOME

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

	2021 \$'000	2020 \$'000
<b>Selling and Distribution expenses</b>		
Advertising and marketing	784	2,227
Salaries and wages	8,033	7,169
<b>Administrative expenses</b>		
Remuneration to parent auditor:		
- fee relating to audit of the financial statements	112	86
- fee relating to other assurance engagement (interim review)	51	51
- fee relating to audit of subsidiary financial statements paid to parent auditor network	-	23
- taxation services – compliance	52	36
Amortisation of capitalised software development (Note 14.1)	603	517
Amortisation of computer software (Note 14.2)	456	68
Depreciation of plant and equipment	270	175
Amortisation of right of use assets (Note 19)	472	503
Bad debts written off	-	33
Impairment provision recognised on receivables at amortised cost (Note 10)	120	77
Short term and low value leases	88	53
Salaries and wages	3,558	2,529
KiwiSaver contributions	118	100
Share option expenses	111	91

During the year, a fee of USD\$6,403 was paid to BDO USA, LLP and a fee of USD\$12,000 was paid to an affiliate of BDO USA, LLP for consulting and advisory services related to acquisition activities (2020: USD\$0). A fee of Euro€17,932 was paid to BDO Advisory (Luxembourg) for consulting and advisory services related to acquisition activities for services provided in the previous financial year.

## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

### 7. NET FINANCE INCOME AND EXPENSE

	Note	2021 \$'000	2020 \$'000
<b>Finance income</b>			
Interest received on financial assets at amortised cost		19	76
Foreign exchange gain		13	1,958
Gain on fair value adjustment to contingent consideration liability	18.2	143	535
Total finance income		175	2,569
<b>Finance expense</b>			
Interest expense on loans and borrowings stated at amortised cost		(221)	(3)
Interest expense on leases		(61)	(63)
Foreign exchange loss		(1,609)	-
Loss on fair value adjustment to contingent consideration liability	18.2	(143)	-
Imputed interest on contingent consideration liability	18.2	(37)	(111)
Total finance expense		(2,071)	(177)
Net finance (expense)/income		(1,896)	2,392

#### 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 liabilities, 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 are recorded in Finance income and expense in accordance with Note 29 b.

## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

### 8. INCOME TAX EXPENSE

a) Income tax recognised in profit or loss	2021 \$'000	2020 \$'000
Current tax expense	(185)	(163)
Deferred tax credit	414	353
<b>Total tax credit</b>	<b>229</b>	<b>190</b>

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.

<b>The total charge for the period can be reconciled to the accounting profit as follows:</b>	<b>2021 \$'000</b>	<b>2020 \$'000</b>
Loss before tax	(6,245)	(2,712)
Income tax expense calculated at 28% (2020: 28%)	(1,749)	(759)
Different tax rates applied in overseas jurisdictions	15	7
Tax losses not recognised	1,505	562
Income tax credit recognised in profit or loss	229	190

## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

### 8. INCOME TAX EXPENSE (Continued)

#### b) Deferred tax liability

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (2020: 28%).

	2021 \$'000	2020 \$'000
<b>Deferred tax liability</b>		
Deferred tax liabilities arising on business combinations	2,090	1,296
Reversal of temporary differences	(733)	(353)
At 31 March	1,357	943
<b>Recognised deferred tax liabilities</b>		
Intangible assets – arising on business combinations	(1,357)	(943)
At 31 March	(1,357)	(943)

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

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

A deferred tax asset 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 2021 was \$872,946 (2020: \$1,076,429). The deferred tax asset not recognised is comprised of the effect of the tax benefit of operating losses. The Group has accumulated tax losses to carry forward for tax purposes of \$3,117,665 (2020: \$3,844,391).

#### c) Factors affecting the future tax charge

##### Estimates and assumptions

The Group is subject to income tax in several jurisdictions and significant judgement is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the company recognises tax liabilities based on estimates of whether additional taxes and interest will be due.

These tax liabilities are recognised when, despite the company's belief that its tax return positions are supportable, the company believes it is more likely than not that a taxation authority would not accept its filing position. In these cases, the Group records its tax balances based on either the most likely amount or the expected value, which weights multiple potential scenarios. The company believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law.

No material uncertain tax positions exist as at 31 March 2021. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.



## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

### 8. INCOME TAX EXPENSE (Continued)

#### d) Imputation credits

Imputation credits available for use in future reporting periods are as follows:

	2021 \$'000	2020 \$'000
Imputation credits at 1 April	53	38
New Zealand tax payments, net of refunds	(34)	14
<b>Imputation credits available to shareholders of the company at 31 March</b>	<b>19</b>	<b>52</b>

### 9. EARNINGS PER SHARE

Earnings per share has been calculated based on shares issued at the respective measurement dates. Share options are considered anti-dilutive as the Group is loss making and are thus not taken into account in the calculation of diluted earnings per share.

	2021 \$'000	2020 \$'000
<b>Numerator</b>		
Loss for the year after tax ("N")	(6,016)	(2,522)
<b>Denominator</b>	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares used in basic EPS ("D1")	53,465	52,908
	<b>Cents</b>	<b>Cents</b>
Basic and diluted earnings per share (N/D1 x 100)	(11.25)	(4.77)

## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

### 10. TRADE RECEIVABLES

	Notes	2021 \$'000	2020 \$'000
Gross trade receivables		6,027	6,009
Impairment allowance		(275)	(155)
Trade receivables		5,752	5,854
Opening balance of impairment provision		155	78
Additional expense identified	6	120	77
		<b>275</b>	<b>155</b>

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.

### 11. OTHER ASSETS AND PREPAYMENTS

	Notes	2021 \$'000	2020 \$'000
Contract asset	11.1	1,652	1,074
Receivables in relation to acquisitions		612	-
Prepayments		604	321
Sundry receivables		206	123
		<b>3,074</b>	<b>1,518</b>

#### 11.1 CONTRACT ASSET

Opening balance		1,074	866
Invoiced in the year		(1,074)	(866)
Revenue accrued for services performed not yet invoiced		1,652	1,074
		<b>1,652</b>	<b>1,074</b>

## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

### 12. BUSINESS COMBINATIONS COMPLETED IN CURRENT PERIOD

#### Straker Lingotek LLC

On 1 February 2021, Straker Translations Limited, the acquirer, obtained control of the assets and business of Lingotek, Inc. and transferred these into newly formed subsidiary Straker Lingotek LLC. Straker Lingotek LLC ("Lingotek") is based in Lehi, Utah and it is a company incorporated in Delaware USA on 11th December 2020.

Lingotek is a provider of language services, subscriptions and professional services. The acquisition was made as part of the growth strategy of the Group. The goodwill for the acquisition reflects intangibles assets which do not qualify for separate recognition and include expected synergies.

An element of the consideration is contingent on the achievement of revenue and gross margin targets as detailed in Note 18. Part of the initial cash consideration paid into escrow is refundable due to movements in the value of the assets between the date the sale agreement was drafted and the effective date (refer to Note 11 and included in analysis of Total consideration below).

A fair value assessment of Lingotek's assets and liabilities has been undertaken and the identifiable assets and liabilities are shown at fair value, including the fair value of the contract revenue liability, which has been determined by an independent valuer. The valuation of the separately identifiable intangible assets, including customer relationships and acquired software have been determined by an independent valuer.

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

<b>Lingotek</b>	<b>Fair value \$'000</b>
Debtors and other receivables	1,183
Property, plant and equipment	38
Computer software	10,349
Customer relationship asset	2,836
Right of use assets	127
Creditors and accruals	(1,040)
Lease liability	(127)
Contract revenue liability	(5,157)
Deferred tax liability	(794)
<b>Total net assets</b>	<b>7,415</b>
Cash paid (NZD)	7,202
Receivable in escrow	(562)
Shares in Straker Translations Limited (Note 21)	1,666
Fair value of contingent consideration liability on acquisition (Note 18.2)	2,246
<b>Total consideration</b>	<b>10,552</b>
<b>Goodwill (Note 14.4)</b>	<b>3,137</b>

## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

### 12. BUSINESS COMBINATIONS COMPLETED IN CURRENT PERIOD (continued)

The revenue and loss before tax included in the Group's statement of comprehensive since acquisition for Lingotek is shown below:

	<b>\$'000</b>
Revenue since date of acquisition	1,912
<b>Loss before tax since date of acquisition</b>	<b>24</b>

If the acquisition date for these business combinations had been 1 April 2020, the pro forma revenue and profit for each would have been:

Pro forma revenue for the year	11,766
Loss before tax for the year	1,314

## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

### 13. BUSINESS COMBINATIONS COMPLETED IN PRIOR PERIOD

#### The New Zealand Translation Centre Limited ("NZTC")

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

NZTC is a provider of language 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 expected synergies.

As disclosed in the 2020 Annual Report, the value of the identifiable net assets of the subsidiary company had only been determined on a provisional basis as the Group were still obtaining historical information in respect of customers acquired. 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, the amount of contingent deferred liability recognised and the subsequent change to goodwill.

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.

	Provisional value	Fair value adjustment	Fair value
Cash	(33)	-	(33)
Debtors and other receivables	732	-	732
Property, plant & equipment	24	-	24
Customer relationship intangible asset	390	188	578
Creditors and accruals	(513)	-	(513)
Deferred tax liability	(109)	(53)	(162)
Term debt	(591)	-	(591)
<b>Total net assets</b>	<b>(100)</b>	<b>135</b>	<b>35</b>
Cash paid (NZD)			170
Shares in Straker Translations Limited			89
Fair value of contingent consideration liability on acquisition			770
<b>Total consideration</b>			<b>1,029</b>
<b>Goodwill (Note 14.4)</b>			<b>994</b>

The excess of purchase price over the identifiable assets and liabilities has been recorded as goodwill. The goodwill is attributable to the assembled workforce and other synergies expected to arise, which do not qualify for separate recognition. Goodwill is not expected to be tax deductible.

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

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

## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

### 13. BUSINESS COMBINATIONS COMPLETED IN PRIOR PERIOD (Continued)

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.

### 14.1 CAPITALISED SOFTWARE DEVELOPMENT

<b>Cost</b>	<b>2021 \$'000</b>	<b>2020 \$'000</b>
Opening Balance	3,444	2,252
Additions in the year	1,497	1,192
<b>Closing Balance</b>	<b>4,941</b>	<b>3,444</b>
<b>Amortisation</b>		
Opening Balance	(1,140)	(623)
Charge recognised in profit or loss	(603)	(517)
<b>Closing Balance</b>	<b>(1,743)</b>	<b>(1,140)</b>
<b>Net book value</b>	<b>3,198</b>	<b>2,304</b>

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. Additions in the year include salaries and wages of \$0.906m (2020: \$0.844m).

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.



## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

### 14.2 COMPUTER SOFTWARE

Cost	Notes	2021 \$'000	2020 \$'000
Opening Balance		320	281
Acquired as part of a business combination	12	10,349	31
Additions		-	8
Impact of foreign exchange rate changes		(82)	-
<b>Closing Balance</b>		<b>10,587</b>	<b>320</b>
<b>Amortisation</b>			
Opening Balance		(192)	(124)
Charge recognised in profit or loss		(456)	(68)
<b>Closing Balance</b>		<b>(648)</b>	<b>(192)</b>
<b>Net book value</b>		<b>9,939</b>	<b>128</b>

Computer software acquired separately or in a business combination is 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, Computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful economic lives of computer software is between 2 and 4 years dependent on the underlying nature and historical information. Computer software is amortised over 2-4 years on a straight line basis.

#### Fair value of software acquired as part of a business combination completed in the current year

During the current year, the Group has completed the acquisition of Lingotek, as outlined in Note 12. This included the valuation of separately identifiable intangible assets, including acquired software. This has been determined by an independent valuer.

This platform is operated internally and in its current form cannot be licensed in an open market. Therefore, its economic worth is unlikely to be represented by the revenues it could derive from its usage in an open market. We have therefore used a cost-based approach for assessing its fair market value. Specifically, we have used replication and replacement cost approaches.

Replication cost or trended historical costs is the cost that would be incurred at today's prices to construct an exact duplicate of the IP being valued using the same materials, intellectual capital, standards, design, layout, quality, and expertise and the returns investors would expect for committing to such development. Historical costs have been compounded using different investor returns for each year.

Replacement cost assesses the cost of creating an asset with equivalent functionality using currently available technology. The replacement cost reflects the cost of replacing the asset using current technologies and functionalities. Due to technology changes and associated efficiencies these costs tend to be lower than the replication cost. To assess a replacement cost we have adjusted the compounded costs used for calculating the replication cost by using replacement cost adjustment factors which reflect our judgment.

The average of the replacement and replication costs have been conservatively adjusted for functionality, technological and other factors.

## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

### 14.2 COMPUTER SOFTWARE (Continued)

Key assumptions and inputs are as follows:

<b>Replication cost basis</b>	<b>Lingotek</b>
Expenditure attributable to platform development	\$10.7m
Average rate of return	12.33%pa
Period	3 years
Compounding period to end of year	0.5 years
Fair value determined by replication cost basis	\$12.3m
<b>Replacement cost basis</b>	
Compounded value range	\$10.3m to \$11.0m
Average efficiencies adjustment factor	15%pa
Fair value determined by replacement cost basis range	\$9.6m to \$10.7m

The Group has determined the final value by determining a midpoint value of the two approaches, of \$10.3m.

### 14.3 CUSTOMER RELATIONSHIP ASSETS

	<b>Notes</b>	<b>2021 \$'000</b>	<b>2020 \$'000</b>
<b>Cost</b>			
Opening Balance		5,673	4,014
Acquired as part of current year business combination	12	2,836	1,659
Recognised as part of prior year business combination	13	188	-
<b>Closing Balance</b>		<b>8,697</b>	<b>5,673</b>
<b>Amortisation</b>			
Opening Balance		(2,304)	(1,149)
Charge recognised in profit or loss		(1,431)	(1,155)
Impact of foreign exchange rates		(117)	-
<b>Closing Balance</b>		<b>(3,852)</b>	<b>(2,304)</b>
<b>Net book value</b>		<b>4,845</b>	<b>3,369</b>

## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

### 14.3 CUSTOMER RELATIONSHIP ASSETS (Continued)

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.

#### Fair value of customer relationship assets as part of a business combination completed in the current year and prior period

During the current year, the Group has completed the acquisition of Lingotek, as outlined in Note 12. This included the valuation of separately identifiable intangible assets, including customer relationships. This has been determined by an independent valuer.

In the current year, management commissioned an independent valuation of an acquired company's customer relationships in relation to the business combination completed in the prior period where the business combination accounting has then been finalised in the current year. The acquired company is The New Zealand Translation Centre Limited ("NZTC"). Management had determined a provisional estimated valuation of the customer relationships associated with the acquisition of NZTC at 31 March 2020 of \$390,000. The valuation has been updated to \$578,000 (Note 13).

The fair value of the intangibles 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 intangible asset, is then discounted at a rate of return commensurate with the risk of the asset to calculate a present value.

Key assumptions and inputs are as follows:

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

	Lingotek	NZTC
Revenue attributable to customer relationships	80%	70%
Annual customer attrition rates	1.50% to 2.50%	1.50%
Earnings before interest, tax, depreciation and amortisation rate (as a percentage of revenue)	9%	13%
Discount rate %	10%	13%
Customer relationship useful economic life	4 years	4 years

## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

### 14.4 GOODWILL

	Notes	2021 \$'000	2020 \$'000
<b>Cost</b>			
Opening Balance		8,389	5,964
Acquired as part of a business combination	12	3,137	2,425
Acquired as part of prior year business combination	18.2	225	-
Finalisation of prior year business combination accounting	13	(135)	-
<b>Closing Balance</b>		<b>11,616</b>	<b>8,389</b>
Accumulated impairment		(799)	(799)
<b>Closing Balance</b>		<b>(799)</b>	<b>(799)</b>
<b>Net book value</b>		<b>10,817</b>	<b>7,590</b>

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.

Any impairment in the goodwill carrying value is 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.

## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

### 14.4 GOODWILL (Continued)

#### Goodwill impairment

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

	<b>Eurotext \$'000</b>	<b>Elanex \$'000</b>	<b>MSS \$'000</b>	<b>Eule \$'000</b>	<b>COM \$'000</b>	<b>On-Global \$'000</b>	<b>NZTC \$'000</b>	<b>Lingotek \$'000</b>	<b>Total \$'000</b>
31 March 2020	449	970	1,797	930	1,020	1,520	904	-	7,590
Additions	-	-	-	-	-	-	90	3,137	3,227
31 March 2021	449	970	1,797	930	1,020	1,520	994	3,137	10,817
Operating segment (Note 3)	EMEA	NAM	EMEA	EMEA	NAM	EMEA	APAC	NAM	

The Group has allocated goodwill to the above subsidiaries, as the 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, except Lingotek, has 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 2022, then applicable growth rates applied to revenue and costs from year 2 to 5 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.

	<b>Annual revenue growth rates</b>	<b>Gross margin rate</b>	<b>Discount rate %</b>	<b>Terminal growth rate</b>
Eurotext	5%	35%	8.70%	0.00%
Elanex	2%	51%	11.10%	0.00%
MSS	5%	57%	9.50%	0.00%
Eule	6%	53%	7.80%	0.00%
Com	2%	35%	11.1%	0.00%
On-Global	5%	52%	9.50%	0.00%
NZTC	5%	49%	9.60%	0.00%
Lingotek	Year 1 Year 2-5	32% 6%	65-70%	9.80

Based on the value in use calculations, there is no impairment of goodwill in the current year.

## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

### 14.4 GOODWILL (Continued)

#### Lingotek CGU

In relation to the Lingotek CGU, a newly acquired unit, Management has determined that there are other reasonably possible changes in the key assumptions on which management has based its determination of the CGU's recoverable amounts that would cause the CGU's carrying amount to exceeds it's recoverable value.

If any one of the following changes were made to the above assumptions, the carrying amount and the recoverable amount would be equal.

	<b>Annual revenue growth rates</b>	<b>Gross margin rate</b>	<b>Discount rate %</b>	<b>Terminal growth rate</b>
Lingotek	Decrease in rate of 3.65%	Decrease in rate of 1.70%	Increase in rate of 9.25%	Rate to below 0%

#### Elanex CGU

In the prior year, goodwill recognised in relation to the acquisition of subsidiary company, Elanex was impaired by NZD \$0.8m 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.

#### 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.

### 15. TRADE PAYABLES

	<b>2021 \$'000</b>	<b>2020 \$'000</b>
Trade payables	2,971	682

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.

### 16. SUNDRY CREDITORS AND ACCRUALS

	<b>2021 \$'000</b>	<b>2020 \$'000</b>
Accruals	1,377	593
Translator costs accrual	823	2,120
Goods and services tax	292	405
Sundry payables	163	-
	<b>2,655</b>	<b>3,118</b>



## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

### 17. CONTRACT LIABILITY

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening balance	600	145
Acquired as part of business combination (Note 12)	5,157	-
Recognised as revenue in the year	(678)	(145)
Payments received in advance	155	600
	<b>5,234</b>	<b>600</b>

The significant increase in the contract liability is attributed to the fair value of contract revenue liability acquired as part of the Lingotek business combination completed in the current year (refer Note 12).

#### Fair value of contract liability as part of a business combination completed in the current year

During the current year, the Group has completed the acquisition of Lingotek, as outlined in Note 12. This included the fair value of identifiable intangible liabilities, including contract liabilities. This has been determined by an independent valuer.

Deferred revenue represents an obligation to provide products or services to a customer when payment has been made in advance and delivery or performance has not yet occurred.

The fair value of a deferred revenue liability typically reflects how much an acquirer has to pay a third party to assume the liability. The deferred revenue amount recorded on the acquiree's balance sheet generally represents the cash received in advance, less the amount amortized for services performed to date.

The method used, commonly referred to as a bottom-up approach, measures the liability as the direct, incremental costs to fulfil the legal performance obligation, plus a reasonable profit margin if associated with goods or services being provided, and a premium for risks associated with price variability. Direct and incremental costs may or may not include certain overhead items but should include costs incurred by market participants to service the remaining performance obligation related to the deferred revenue obligation.

These costs do not include elements of service or costs incurred or completed prior to the consummation of the business combination, such as upfront selling and marketing costs, training costs, and recruiting costs. The reasonable profit margin should be based on the nature of the remaining activities and reflect a market participant's profit. If the profit margin on the specific component of deferred revenue is known, it should be used if it is representative of a market participant's normal profit margin on the specific obligation. If the current market rate is higher than the market rate that existed at the time the original transactions took place, the higher current rate should be used. The measurement of the fair value of a deferred revenue liability is generally performed on a pre-tax basis and, therefore, the normal profit margin should be on a pre-tax basis.

The Group has adopted a bottom-up approach for fair valuing the deferred revenue balances for each segment being language services ("LS") and subscriptions ("Subs").

Key assumptions and inputs are as follows:

	<b>LS</b>	<b>Subs</b>
Service delivery period (months)	10	19
Direct incremental cost	USD\$2.104m	USD\$2.375m
Reasonable profit margin	8%	14%
Discount rate	10%	10%

## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

### 18. CONSIDERATION LIABILITIES

#### 18.1 DEFERRED CONSIDERATION LIABILITIES

	2021 \$'000	2020 \$'000
<b>Due within one year</b>	-	561
<b>Movement during the year</b>		
Opening balance	561	230
Paid in year	(561)	(230)
Reclassified from contingent consideration liabilities at year end	-	561
<b>Closing balance</b>	-	561

Deferred consideration liabilities in 2020 comprised NZD \$0.25m in relation to the acquisition of NZTC and EUR €0.182m in relation to the acquisition of COM.

#### 18.2 CONTINGENT CONSIDERATION LIABILITIES

	2021 \$'000	2020 \$'000
Due within one year	1,435	1,419
Due after more than one year	1,899	872
<b>Total</b>	<b>3,334</b>	<b>2,291</b>
<b>Movement during the year</b>		
Opening balance	2,291	2,396
On acquisition in current year <sup>1</sup>	2,246	1,371
On acquisition – updated prior year <sup>2</sup>	225	-
Paid in year	(1,418)	(697)
Reclassified to deferred consideration liabilities at year end	-	(561)
Gain on fair value adjustment to contingent consideration liability (finance income)	(143)	(535)
Loss on fair value adjustment to contingent consideration liability (finance expense)	143	-
Unwinding of imputed interest on contingent consideration	37	111
Foreign exchange revaluation	(47)	206
<b>Closing balance</b>	<b>3,334</b>	<b>2,291</b>

<sup>1</sup> Note 12 details the business combinations completed in the current period for Lingotek.

<sup>2</sup> Note 13 details the business combinations completed in the prior period for NZTC.

## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

### 18.2 CONTINGENT CONSIDERATION LIABILITIES (Continued)

#### Lingotek

In relation to the acquisition, a contingent consideration liability of USD \$1.22m is payable upon the successful achievement of revenue and gross margin targets on 31 January 2022. A contingent consideration liability of USD \$0.454m has been recognised based on forecast revenues. The liability is payable in USD.

A further contingent earn out liability of USD \$1.0m is payable upon the successful achievement of revenue and gross margin targets on 31 January 2023 and USD \$0.6m if earnout targets are not achieved in the year to 31 January 2022 but are subsequently achieved. A contingent consideration liability of USD \$1.16m has been recognised based on forecast revenues. The liability is payable in USD.

A supplemental earnout liability of USD \$1.0m is also payable on 31 January 2023. This has not been recognised as the Group considers it unlikely that the revenue required will be achieved.

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

#### NZTC

In relation to the acquisition, contingent consideration payments amounting to \$0.28m were made during the current period after the successful achievement of revenue targets. A further contingent consideration liability of \$0.225m is payable upon the successful achievement of revenue and margin targets on 31 March 2021. This contingent consideration liability was not recognised as at 31 March 2020 as the Group did not have sufficient certainty the revenue required would be achieved due to the forecast impact of the COVID-19 pandemic on the subsidiary's revenues. This contingent consideration liability was subsequently restated as at 30 September 2020 due to more information becoming available as to the ability of NZTC to reach its revenue forecasts. As this information was received within the measurement period, the liability has been recognised as part of the final business combination accounting as at 31 March 2021 as outlined in Note 13.

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

#### On-Global

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

The Group has recognised a further Euro €0.1m bonus contingent consideration liability as management considers it likely that the revenue required to unlock this bonus consideration will be achieved.

#### Straker Media SL (Spain) (previously ComTranslations Online SL - "COM")

In relation to the acquisition, contingent consideration payments amounting to Euro €0.312m were made during the current period after the successful achievement of revenue targets. A further contingent consideration liability of Euro €0.1m was payable upon the successful achievement of revenue targets on 28 February 2021. This contingent consideration liability of Euro €0.1m has been de-recognised due to the impact of COVID-19 on revenue.

## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

### 19. LEASE ACCOUNTING

Right of use assets	Equipment \$'000	Property \$'000	Motor vehicles \$'000	Total \$'000
<b>At 1 April 2020</b>	<b>11</b>	<b>1,022</b>	<b>16</b>	<b>1,049</b>
Additions	-	401	-	401
From business combination	-	127	-	127
Impact of lease modifications	-	(444)	(8)	(452)
Amortisation	(3)	(461)	(8)	(472)
<b>At 31 March 2021</b>	<b>8</b>	<b>645</b>	<b>-</b>	<b>653</b>
<b>At 1 April 2019</b>	<b>-</b>	<b>1,132</b>	<b>-</b>	<b>1,132</b>
Additions	12	376	32	420
Amortisation	(1)	(486)	(16)	(503)
<b>At 31 March 2020</b>	<b>11</b>	<b>1,022</b>	<b>16</b>	<b>1,049</b>

Lease liabilities	Equipment \$'000	Property \$'000	Motor vehicles \$'000	Total \$'000
<b>At 1 April 2020</b>	<b>11</b>	<b>1,109</b>	<b>20</b>	<b>1,140</b>
Additions	-	722	-	722
Interest expense	1	59	1	61
Lease payments	(5)	(525)	(21)	(551)
Effect of change in foreign exchange rates	-	23	-	23
Lease modifications	-	(432)	-	(432)
<b>At 31 March 2021</b>	<b>7</b>	<b>956</b>	<b>-</b>	<b>963</b>
<b>At 1 April 2019</b>	<b>-</b>	<b>1,132</b>	<b>-</b>	<b>1,132</b>
Additions	12	382	32	456
Interest expense	-	62	1	63
Lease payments	(1)	(518)	(16)	(535)
Effect of change in foreign exchange rates	-	51	3	54
<b>At 31 March 2020</b>	<b>11</b>	<b>1,109</b>	<b>20</b>	<b>1,140</b>

Lease liability payments are made monthly. The payments to be made within 12 months amount to NZD \$0.626m. The remaining NZD \$0.337m will be paid within 4 years.

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.

Under the exemption, lease payments are recognised single lease expenses typically on a straight-line basis over the lease term.

## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

### 19. LEASE ACCOUNTING (Continued)

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

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

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

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

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

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

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

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

- in all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the Group to use an identified asset and require services to be provided to the Group by the lessor, the Group has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

#### Nature of leasing activities (in the capacity as lessee)

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

The Group also leases certain items of plant and equipment. These leases 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 & forming part of the Financial Statements for the year ended 31 March 2021

### 19. LEASE ACCOUNTING (Continued)

Year ended 31 March 2021	Lease Contracts Number	Fixed payments %	Variable payments %	Sensitivity \$'000
Equipment leases with fixed payments	1	0%	-	-
Property leases with payments linked to inflation	4	-	52%	±5
Property leases with periodic uplifts to market rentals	1	-	41%	±1
Property leases with fixed payments	4	4%	-	-
	10	4%	93%	±6

Year ended 31 March 2020	Lease Contracts No.	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

### 20. LOANS AND BORROWINGS

	2021 \$'000	2020 \$'000
<b>Current</b>		
Collateralised borrowings	6,500	-
Unsecured related party borrowings (Note 26)	1,500	-
Callaghan Innovation R&D loan	400	-
	8,400	-

- a) The Group established two new debt facilities for a total committed amount of NZD \$8.0m as follows:
- a secured simple term debt facility of NZD \$6.5m with an interest rate of 10.50%pa; and
  - an unsecured simple term debt facility of NZD \$1.5m with an interest rate of 11.50%pa provided by an entity associated with Steve Donovan, a Straker non-executive director;
  - both facilities have a 12-month term and were fully drawn to fund the initial cash consideration of the Lingotek asset acquisition and an initial working capital loan to Lingotek.



## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

### 20. LOANS AND BORROWINGS (Continued)

The Group has granted a security interests in relation to the assets of Straker Translations Limited and NZTC ("the Debtors") as follows:

- a security interest in the Personal Property of the Debtors which takes effect as a transfer to the secured party of present and future accounts receivable and chattel paper, and present and future rights in connection with any accounts receivable and chattel paper; and
  - a fixed charge over other property of the Debtors which takes effect as an assignment of the rights to all other assets that are not accounts receivable, including any and all current or future owned land, buildings, structures and fixtures.
- b) The Group received NZD \$0.4m under the Callaghan Innovation R&D Loan Scheme which is a short-term scheme made available to support companies with R&D activities affected by COVID-19 during the year ending 30 June 2021. The loan has an interest rate of 10% if not repaid within the first year. No interest has been recognised as the Group plans to repay the loan within the specified period.
- c) The Group has an unutilised overdraft facility with ANZ New Zealand of NZD \$0.175m.

### 21. SHARE CAPITAL

	2021 \$'000	2020 \$'000
<b>Ordinary capital</b>		
Balance at beginning of the year	40,786	40,123
Proceeds from issue of ordinary shares during the year	93	72
Ordinary shares issued during the year – consideration as part of business combination	1,666	604
Costs of share issue	(16)	(13)
<b>Balance at end of the year</b>	<b>42,529</b>	<b>40,786</b>

	2021 No. of Shares	2020 No. of Shares
<b>Ordinary shares</b>		
Share capital at the beginning of the year	53,101,360	52,598,610
Ordinary shares issued during the year	244,473	103,920
Ordinary shares issued during the year – consideration as part of business combination	989,022	398,830
<b>Balance at end of the year</b>	<b>54,334,855</b>	<b>53,101,360</b>

The company has issued 54,334,855 ordinary shares (2020: 53,101,360) 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.

## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

### 22. GROUP SUBSIDIARIES

Subsidiary	Country of Incorporation	Ownership Interest 2021	Ownership Interest 2020
Straker Europe Limited	Ireland	100%	100%
STS Translations Inc.	United States of America	100%	100%
Straker Translations Australia Pty Limited	Australia	100%	100%
Straker Spain SL	Spain	100%	100%
Straker Translations UK Limited	United Kingdom	100%	100%
Eurotext Translations Limited ("Eurotext")	Ireland	100%	100%
Elanex Inc. ("Elanex")	United States of America	100%	100%
Straker Translations Hong Kong 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%	100%
New Zealand Translations Centre Limited ("NZTC")	New Zealand	100%	100%
Straker Lingotek LLC (refer Note 12)	United States of America	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 Inc. and Straker Lingotek LLC are 100% subsidiaries of STS Translations Inc. (USA).

All subsidiary companies are providers of language services and have 31 March balance dates other than On-Global which has a 31 December financial year end.

## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

### 23. 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.

The directors decided to use short-term debt to fund the acquisition of the assets and liabilities of Lingotek, Inc. There have been no other changes in the Group's management of capital during the period.

### 24. EVENTS AFTER THE REPORTING PERIOD

There were no reported significant events after reporting date.

### 25. FINANCIAL RISK MANAGEMENT

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

- Credit risk;
- Interest rate 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
- Contract liability
- Contingent consideration liability
- Term loans

#### Financial risk management objectives, policies and processes

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

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

## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

### 25. FINANCIAL RISK MANAGEMENT (Continued)

#### i) Financial instruments by category

31 March 2021	Assets at Amortised Cost \$'000	Liabilities at Amortised Cost \$'000	Fair value through Profit or Loss \$'000	Total Carrying Amount \$'000
<b>Financial assets</b>				
Cash and cash equivalents	7,175	-	-	7,175
Trade receivables	5,752	-	-	5,752
<b>Total</b>	<b>12,927</b>	<b>-</b>	<b>-</b>	<b>12,927</b>
<b>Financial liabilities</b>				
Trade payables	-	(2,971)	-	(2,971)
Accruals	-	(1,377)	-	(1,377)
Translator costs accrual	-	(823)	-	(823)
Contingent consideration	-	-	(3,334)	(3,334)
Contract liabilities	-	(5,234)	-	(5,234)
Loans and borrowings	-	(8,400)	-	(8,400)
Lease liabilities	-	(963)	-	(963)
<b>Total</b>	<b>-</b>	<b>(19,768)</b>	<b>(3,334)</b>	<b>(23,102)</b>

#### Maturity analysis - Contractual liabilities

	Current	Due 1-6m	Due 7-12m	Due 13-24m	Due 25-36m	Total
Trade payables	2,971	-	-	-	-	2,971
Accruals	1,377	-	-	-	-	1,377
Translator costs accrual	823	-	-	-	-	823
Contingent consideration	-	812	641	1,881	-	3,334
Contract liabilities	114	3,878	1,140	58	44	5,234
Loans and borrowings	-	429	8,643	-	-	9,072
Lease liabilities	-	330	230	350	70	980
	<b>5,285</b>	<b>5,449</b>	<b>10,654</b>	<b>2,289</b>	<b>114</b>	<b>23,791</b>

## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

### 25. FINANCIAL RISK MANAGEMENT (Continued)

31 March 2020	Assets at Amortised Cost \$'000	Liabilities at Amortised Cost \$'000	Fair value through Profit or Loss \$'000	Total Carrying Amount \$'000
<b>Financial assets</b>				
Cash and cash equivalents	11,228	-	-	11,228
Trade receivables	5,854	-	-	5,854
<b>Total</b>	<b>17,082</b>	<b>-</b>	<b>-</b>	<b>17,082</b>

<b>Financial liabilities</b>				
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)
<b>Total</b>	<b>-</b>	<b>(5,058)</b>	<b>(2,329)</b>	<b>(7,387)</b>

Maturity analysis	Current	Due 1-6m	Due 7-12m	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	-	1,275	182	872	-	2,329
Lease liabilities	-	214	188	489	249	1,140
	<b>3,395</b>	<b>2,012</b>	<b>370</b>	<b>1,361</b>	<b>249</b>	<b>7,387</b>

#### Financial instruments not measured at fair value

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted)

Level 2: Observable direct or indirect inputs other than Level 1 inputs

Level 3: Unobservable inputs (i.e. not derived from market data).

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.

There are no Level 1 or Level 2 financial instruments.

#### Financial instruments measured at fair value

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

## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

### 25. FINANCIAL RISK MANAGEMENT (Continued)

Level 3	Notes	2021 \$'000	2020 \$'000
<b>Financial liabilities</b>			
Contingent consideration liabilities		3,334	2,329

There were no transfers between levels during the year.

#### Quantitative information on significant unobservable inputs – Level 3

The fair value of the Level 3 contingent consideration liability has been determined by discounted cash flow valuation technique. The fair value has been determined with reference to unobservable inputs, including forecast revenue as explained in Note 18.2, and cost of debt of 6.4%. A 5% decrease in the forecast revenue input has a \$0.17m effect on the contingent consideration liabilities recognised at fair value through profit or loss. This is in relation to the On-Global contingent consideration liability 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 29 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 Expected Credit Loss provision as stated in Note 10, include balances more than 30 days past due of \$1.915m. The Group has received \$0.354m in the post reporting 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:



## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

### 25. FINANCIAL RISK MANAGEMENT (Continued)

	Rating	2021 \$'000	2020 \$'000
AIB	BA1	344	953
ANZ New Zealand	A2	1,642	4,709
Bankinter	BAA2	-	898
Bank of America	AA2	166	46
Barclays	BAA2	969	484
BBVA US	BAA1	278	270
Citibank N.A.	BAA1	316	369
Commerzbank	BAA2	147	349
La Caixa	BAA3	1,632	1,056
NAB	A2	391	860
Silicon Valley Bank	A2	436	-
Ulster	BAA2	162	777

#### iii) Interest rate risk

The Group is not exposed to cash flow interest rate risk from borrowings, as the Group's collateralised and unsecured borrowings is at a fixed rate and is expected to be paid within 12 months.

The Group's borrowings are denominated in NZD.

#### iv) 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. Refer to financial instrument maturity analysis in Note 25 (i).

Cash and cash equivalents consist of cash at bank immediately available on demand. Interest of NZD \$0.02m was received at rates below 1% pa.

Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. The Group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group. In order to monitor the continuing effectiveness of this policy, the Board receives a monthly forecast, analysed by the major currencies held by the Group, of liabilities due for settlement and expected cash reserves.

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:

## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

### 25. FINANCIAL RISK MANAGEMENT (Continued)

	Monthly average rate		Reporting date spot rate	
	2021	2020	2021	2020
EUR	0.5762	0.5800	0.5959	0.5437
USD	0.6753	0.6442	0.6997	0.5965

#### v) Foreign currency risk

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:

	2021 NZD'000	2020 NZD'000
<b>EUR</b>		
Cash and cash equivalents	2,349	3,255
Trade receivables	2,966	2,727
Trade payables	(1,070)	(593)
<b>Total</b>	<b>4,245</b>	<b>5,389</b>

	2021 NZD'000	2020 NZD'000
<b>USD</b>		
Cash and cash equivalents	2,551	1,806
Trade receivables	2,929	1,792
Trade payables	(660)	(43)
<b>Total</b>	<b>4,820</b>	<b>3,555</b>

#### 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.

	2021 NZD'000	2020 NZD'000
12.5% weakening in NZD/EUR (2020: 10%)	606	318
5% strengthening in NZD/EUR (2020: 10%)	(202)	(541)
20% weakening in NZD/USD (2020: 10%)	965	187
7.5% strengthening in NZD/USD (2020: 10%)	(269)	(323)

## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

### 26. RELATED PARTY TRANSACTIONS

The Group's related parties include its subsidiary companies as disclosed in Note 22. 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

The Group established an unsecured simple term debt facility of NZD \$1.5m with an interest rate of 11.50%pa provided by an entity associated with Stephen Donovan, a Straker non-executive director.

A loan commitment fee of NZD \$0.038m was paid to establish the facility. During the year interest on unsecured borrowings was NZD \$0.037m.

#### Directors

2021	Director Fees (including disbursements)	Consulting Fees	Employee Benefits – Defined Contribution Plan	Salary & Bonus	Interest & Commitment Fee on Unsecured Borrowings	Total \$'000
Grant Straker	-	-	12	320	-	332
Amanda Cribb	45	-	-	-	-	45
Stephen Donovan	64	87	-	-	75	226
Philip Norman	102	-	-	-	-	102
Tim Williams	62	-	-	-	-	62
Paul Wilson	63	-	-	-	-	63
	<b>336</b>	<b>87</b>	<b>12</b>	<b>320</b>	<b>75</b>	<b>830</b>

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
	<b>370</b>	<b>85</b>	<b>12</b>	<b>353</b>	<b>820</b>

## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

### 26. RELATED PARTY TRANSACTIONS (Continued)

#### c) Key management personnel including the Chief Executive Officer

	2021 \$'000	2020 \$'000
Short-term employee benefits	1,452	1,319
Termination benefits	103	-
Other long-term benefits	65	271
<b>Total</b>	<b>1,620</b>	<b>1,590</b>

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.

### 27. 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 August 2024.

Reconciliation of outstanding options	Number of Options	Average Exercise Price (NZD\$)
<b>Balance at 31 March 2019</b>	2,294,544	\$1.36
Issued during the year	30,000	\$1.58
Exercised during the year	(103,920)	\$0.96
Lapsed during the year	(85,033)	\$0.99
<b>Balance at 31 March 2020</b>	2,135,591	\$1.39
Issued during the year	1,005,256	\$1.21
Exercised during the year	(244,479)	\$0.79
Lapsed during the year	(331,321)	\$1.36
<b>Balance at 31 March 2021</b>	<b>2,565,047</b>	<b>\$1.41</b>

## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

### 27. SHARE OPTIONS (Continued)

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	2021 NZD\$	2020 NZD\$
Share Price at grant date	\$1.39	\$1.58
Exercise Price	\$1.21	\$1.58
Expected Volatility	30%	30%
Expected Life	4 years	3 years
Risk Free rate	0.46%	3%
Black out factor	25%	25%

### Directors

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

Directors	2021 Exercise Price (NZD\$)	2021 Number of Options	2020 Exercise Price (NZD\$)	2020 Number of Options
Stephen Donovan	\$1.38	25,000	\$1.41	25,000
Katrina Johnson	-	-	\$1.41	25,000
Philip Norman	\$1.38	197,970	\$1.41	91,960
Grant Straker	\$1.38	413,000	\$1.41	341,960
Tim Williams	\$1.38	25,000	\$1.41	25,000
Paul Wilson	\$1.38	50,000	\$1.41	50,000

Philip Norman exercised 13,990 share options at NZD\$0.596 per share during the current year.

Grant Straker directly and indirectly exercised 133,920 share options on a cashless basis for which he received 79,456 ordinary shares.

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

### Key management personnel including the Chief Executive Officer

The key management personnel hold the following number of options as at balance date:

	2021 Exercise Price (NZD\$)	2021 Number of Options '000	2020 Exercise Price (NZD\$)	2020 Number of Options '000
Key management personnel	\$1.43	1,383	\$1.40	1,375

## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

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

	2021 \$'000	2020 \$'000
<b>Net loss after tax for the year</b>	<b>(6,016)</b>	<b>(2,522)</b>
Adjusted for:		
<b>Non-cash items</b>		
Amortisation of capitalised software development	603	517
Amortisation of computer software	456	68
Amortisation of acquired intangibles	1,431	1,155
Amortisation of right of use assets	472	503
Impairment loss on trade receivables	120	110
Impairment of Intangibles	-	799
Depreciation of plant and equipment	270	175
Asset written off	-	40
Imputed interest on deferred consideration liability	37	110
Fair value of contingent consideration liability on acquisition	-	(553)
Share options	124	91
Taxation	(372)	(289)
Unrealised foreign currency (gain)/loss	1,609	(1,285)
<b>Non-operating expenses</b>		
IFRS 16 Rent Adjustment	(551)	(535)
<b>Impact of changes in working capital items</b>		
Movement in debtors, prepayments and other debtors	(325)	(826)
Movement in creditors, accruals and other payables	1,679	(94)
Movement in tax provisions	143	197
<b>Net cash flow from operating activities</b>	<b>(320)</b>	<b>(2,339)</b>

#### Non-cash investing and financing activities

Significant non-cash transactions included in financing activities include recognition of contingent consideration, gain/(loss) on fair value adjustments and unwinding of imputed interest on the contingent consideration liabilities, as detailed in Note 18.2.

There are no significant non-cash transactions included in investing activities.

## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

### 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 (e.g. trade receivables), but also



## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

### Non-derivative financial liabilities

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

- Financial liabilities classified as 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 trade receivables and contract assets 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

## Notes to & forming part of the Financial Statements for the year ended 31 March 2021

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

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

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

### **Non-financial assets**

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

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

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

A cash-generating unit is the smallest group of assets that

independently generates cash flow and whose cash flow is largely independent of the cash flows generated by other assets.

Goodwill is tested for impairment annually.

### **f) Employee benefits**

#### **Short Term Employee Benefits**

Liabilities for wages and salaries, including non-monetary benefits and annual leave wholly 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.

# **Straker Translations Limited Corporate Governance Statement**

31 MARCH 2021

# Corporate Governance Statement

## for the year ended 31 March 2021

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 (4th Edition) (**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 2021;
- 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](http://www.strakertranslations.com)

This Corporate Governance Statement was approved by the Board of Directors on 14 May 2021.

### Principle 1:

#### Lay solid foundations for management and oversight

*A listed entity should clearly delineate the respective roles and responsibilities of its board and management and regularly review their performance.*

#### 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

The Company Secretary performs the following functions for which she's accountable directly to Straker's Board:

- advising the Board and its committees on governance matters;

# Corporate Governance Statement

## for the year ended 31 March 2021

- ensuring compliance with the Company's continuous disclosure obligations;
- monitoring that the Board and committee policy and procedures are followed;
- coordinating 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, the Company has adopted the following measurable objectives:
- Sustaining current overall gender equity position with no more than a 10% variance;
- Increasing representation by females in leadership positions by 5% YoY; and
- Increasing awareness and inclusion of LGBTTQIA+ employees by a Company-wide awareness programme;

As at the year ended 31 March 2021, the respective proportions of men and women within Straker were as follows:

	Female	Male
Board of Directors	1	5
Executive Team	2	4
Non-Executive Team	24	35
All other employees (not including senior executive staff)	83	76

### 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 Chairperson of the Board conducts performance reviews with individual Directors on an annual basis.
- **Senior executive employee performance:** The Remuneration & Nominations Committee periodically evaluates the performance of Straker's senior executives in accordance with the provisions of Straker's Remuneration and Nomination Committee Charter, which is available on Straker's website.

Straker's Board of Directors conducted formal performance review in accordance with the above mentioned processes prior to the date of Straker's Annual Report for the year ended 31 March 2021 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

*The Board of a listed entity should be of an appropriate size and collectively have the skills, commitment and knowledge of the entity and the industry in which it operates, to enable it to discharge its duties effectively and to add value.*

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 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.

# Corporate Governance Statement

## for the year ended 31 March 2021

### Remuneration and Nominations Committee

Straker's Remuneration & Nomination 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 Remuneration & Nomination Committee has three members, with current members being Tim Williams, Paul Wilson and Phil Norman (a majority of whom are Independent Non-Executive Directors). 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 Remuneration & Nomination 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.

### 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;
- finance;
- Straker's policies and procedures; and
- Environmental, Social and Governance (ESG) factors.

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.

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 and provide resources or access to resources to help develop and maintain the skills and knowledge of its Directors.

### Board composition and independence

As at the year ended 31 March 2021, 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
Stephen Donovan	Non-Executive Director	1 December 2004
Paul Wilson	Non-Executive Director	22 September 2015
Tim Williams	Independent Non-Executive Director	24 June 2015
Amanda Cribb	Independent Non-Executive Director	20 July 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 2021 and for the full financial year ending on that date (or since appointment date as applicable) – (Phil Norman, Tim Williams and Amanda Cribb). This is despite the foregoing interests/relationships which the Board considers are not material and do not compromise the independence of the relevant Director:

*Options in the following employee incentive schemes:*

Name	Plan Scheme	Number	Extra Price	Expiry Date
Phil Norman	Legacy ESOP	13,990	NZ\$0.596	31 Mar 2022
		13,980	NZ\$0.596	31 Mar 2023
	LTI ESOP	50,000	A\$1.51	Various
		120,000	A\$0.95	Various
Tim Williams	LTI ESOP	25,000	\$1.51	26 Sep 2024

Grant Straker, Steve Donovan and 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 Remuneration & Nomination Committee re-assesses 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



# Corporate Governance Statement

## for the year ended 31 March 2021

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.

### Chair of the Board

The Chair of the Board, Phil Norman, is an Independent Director and is not the CEO.

### Induction of new Directors and ongoing professional development

Where a new Director is appointed to Straker's Board, Straker's Chairperson 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 2021 and the number of meetings attended by each of the Directors is set out in the table below:

	Board Meeting		Audit & Risk Management Committee*		Nomination & Remuneration Committee*	
	A	B	A	B	A	B
<b>Phil Norman</b>	15*	16*	6	6	4	4
<b>Grant Straker</b>	16*	16*	NA	NA	NA	NA
<b>Stephen Donovan</b>	15	15	6	6	NA	NA
<b>Paul Wilson</b>	14	15	NA	NA	4	4
<b>Tim Williams</b>	14	15	3	5	4	4
<b>Amanda Cribb</b>	11	12	2	3	NA	NA

\* Includes of sub-committee meetings, to which Phil Norman and Grant Straker were appointed during the period.

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:

#### Instil a culture of acting lawfully, ethically and responsibly

A listed entity should instil and continually reinforce a culture across the organisation of acting lawfully, 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.

#### Company Values

- Straker's key objectives are to:
- Embrace change to continually evolve;
- Solve hard problems that others cannot;
- Celebrate success as one team;
- Build trust and empower the Company's teams; and
- Operate one platform with one team

#### 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. The Chair of the Board and Chair of the Audit & Risk Management Committee receive reports of material breaches of the Code of Conduct.

#### Whistleblower Policy

Straker has developed a Whistleblower Policy, which was adopted on 26 February 2020.

The purpose of the Whistleblower Policy is to encourage the reporting of any instances of suspected unethical, illegal, fraudulent or undesirable conduct involving the Company's businesses. The Company provides protections and measures so that anyone who makes a report may do so confidentially and without fear of intimidation, disadvantage or reprisal.

The Whistleblower Protections Officers, which include any Director, Company Secretary or Auditor of Straker receives reports of material breaches of the policy, including action taken in response to breaches.

A copy of the Whistleblower Policy can be found on the Company's website.



# Corporate Governance Statement

## for the year ended 31 March 2021

### Anti-Bribery and Corruption policy

Straker has developed an Anti-Bribery and Corruption Policy, which was adopted in April 2019.

The purpose of the Anti-Bribery and Corruption Policy is to set out Straker position on matters relating to bribery and similar problematic conduct, and the responsibilities of those to whom this policy applies. It also provides guidance on how to recognise and deal with such conduct. The Company Secretary, Chair of the Board and Chair of the Audit & Risk Management Committee receives reports of material breaches of the policy.

A copy of the Anti-Bribery and Corruption Policy can be found on the Company's website.

### Principle 4:

#### Safeguard integrity in corporate reports

*A listed entity should have appropriate processes to verify 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 Amanda Cribb, Steve Donovan and Phil Norman (a majority of whom are Independent Directors). Tim Williams resigned from the Audit and Risk Management Committee during the period.

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 Amanda Cribb is the most appropriate member of the Board to act as chair of the Audit and Risk Management Committee.

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.

### Periodic corporate reporting

Periodic reports are subject to approval from the Board or a Committee before release. The approval process includes confirmation from Management to the Directors that the relevant report has been reviewed and is accurate.

### 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

# Corporate Governance Statement

## for the year ended 31 March 2021

Secretary will have primary responsibility for all relevant regulatory filings to ensure Straker's compliance with its continuous disclosure obligations.

### Market Announcements

To ensure the Board has timely visibility of all information being disclosed to the market, all material announcements are circulated to the Board promptly after they have been made.

### Investor and Analyst Presentations

All substantive investor or analyst presentations issued by Straker are released via the ASX Platform prior to commencement of the relevant presentation.

### Principle 6:

#### Respect the rights of security holders

*A listed entity should provide information about itself and its governance to investors via its website.*

#### Access to information about Straker and its governance

In accordance with the ASX Corporate Governance Principles and Recommendations, Straker has an "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.

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.

### Shareholder participation at General Meetings

The Annual Meeting provides an open forum for the Board of Directors to communicate directly with Straker's shareholders. It is also an opportunity for shareholders to express views and ask questions.

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.

### Poll Resolutions

Straker's practice at all security holder meetings, is that all resolutions are decided by a poll rather than by a show of hands.

### 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.

# Corporate Governance Statement

## for the year ended 31 March 2021

### 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 Management 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 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 has considered the Company's exposure specifically to economic, environmental and social sustainability risks and has determined the following:

- **Economic risks** – 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** – There is no current material exposure to environmental risks; 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.

### 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 and with the entity's values and risk appetite.*

#### Remuneration & Nomination Committee

As outlined above (see Principle 2), Straker's Remuneration & Nomination 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 Remuneration & Nomination 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 Remuneration & Nomination 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.

# Corporate Governance Statement

## for the year ended 31 March 2021

As at 31 March 2021, 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 requires approval by shareholders before further option issuances can be made to Directors.

As at 31 March 2021, the following Directors held options in Straker's legacy ESOP scheme:

- Phil Norman: 27,970 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

On 30 August 2020, additional options were issued to Directors in Straker's new, LTI ESOP scheme:

- Grant Straker: 113,000 options issued at \$A0.95
- Phil Norman: 120,000 options issued at \$A0.95

Straker's CEO and Managing Director and other senior executives are paid by way of cash salaries, in addition to which they are entitled to an STI cash bonus expressed as a percentage of base salary. Payment of the STI cash bonuses is assessed by the Remuneration and Nomination Committee following each year-end and after completion of the audited annual financial statements and is linked to the achievement of annually agreed corporate and individual KPI's. No STI bonuses were paid to the CEO and Managing Director or other senior executives during the period as the Company implemented a salary and bonus freeze in response to the COVID-19 pandemic.

The Company's CEO and Managing Director is paid \$NZ350,000 per annum as at 31 March 2021 and has the potential to be paid an STI cash bonus of up to 50% of his base salary.

In addition, Straker's senior executives are entitled to participate in the Company's Employee Share Option Schemes. Option grants were made to various employees during the year ended 31 March 2021.

### **Aligning remuneration and performance to the creation of value for shareholders**

As at the year ended 31 March 2021, 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 will be grandfathered); and
- established a new Long Term Incentive Employee Share Option Scheme (LTI scheme) to provide long-term incentives for qualifying employees, contractors, Directors and advisers of Straker, under which options over the ordinary shares of Straker may be issued to such qualifying employees, contractors, Directors and advisers of Straker. The new LTI scheme was approved by Straker's Board and shareholders and adopted at Straker's 2020 Annual Meeting.

Under Straker's Securities Trading Policy, participants in either or both of Straker's LTI and 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 was 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 Limited and Group New Zealand Company Statutory Information**

FOR THE YEAR ENDED 31 MARCH 2021

# Statutory Information

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

## Entries made into the Companies Interest Register

<b>Director</b>	<b>Relevant Interest</b>	<b>% of Ordinary Shares Owned 31 March 2021</b>	<b>% of Ordinary Shares Owned 31 March 2020</b>
Stephen Donovan <sup>1</sup>	Ordinary Shares	2.9%	4.41%
Katrina Johnson <sup>2</sup>	Ordinary Shares	-	0.02%
Philip Norman <sup>3</sup>	Ordinary Shares	0.12%	0.09%
Grant Straker <sup>4</sup>	Ordinary Shares	13.20%	13.82%
Timothy Williams	Ordinary Shares	0.21%	0.22%
Paul Wilson	Ordinary Shares	0.46%	0.47%

- 1 Stephen Donovan's indirect interests decreased as a result of the sale of 764,100 shares in the current year, and ceasing to act as trustee for an entity holding 125,790 shares at 31 March 2020.
- 2 Katrina Johnson current holding not disclosed as she resigned as a director effective 14th April 2020.
- 3 Philip Norman acquired 13,990 ordinary shares through the exercise of share options in the current year.
- 4 Grant Straker acquired 79,456 ordinary shares through the exercise of share options and sold 236,323 ordinary shares in the current year.

Directors' remuneration for the current and prior year is disclosed in Note 26 of the financial statements for the year ended 31 March 2021.

## Additional Disclosures Continued

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

	2021	2020
\$100,001 to \$110,000	3	6
\$110,001 to \$120,000	3	5
\$120,001 to \$130,000	5	1
\$130,001 to \$140,000	3	1
\$140,001 to \$150,000	0	5
\$150,001 to \$160,000	2	2
\$160,001 to \$170,000	0	0
\$170,001 to \$180,000	0	1
\$180,001 to \$190,000	3	0
\$190,001 to \$200,000	1	1
\$200,001 to \$210,000	0	4
\$210,001 to \$220,000	0	1
\$220,001 to \$230,000	0	1
\$230,001 to \$240,000	1	1
\$240,001 to \$250,000	0	0
\$250,001 to \$260,000	2	0
\$260,001 to \$270,000	0	0
\$270,001 to \$280,000	0	0
\$280,001 to \$290,000	1	3
\$290,001 to \$300,000	1	0
\$360,001 to \$370,000	1	0

### Auditor's Remuneration

Fees payable to the Group auditor, and its affiliates, for assurance and non-assurance services are disclosed in Note 6 of the financial statements for the year ended 31 March 2021.

### Donations

The Group made donations during the year of \$nil (2020: nil).

### Equity holding of all Directors

	Note	Number of shares	Number of options
Non-executive Directors			
Stephen Donovan		1,575,380	25,000
Amanda Cribb		-	-
Philip Norman		63,990	197,970
Timothy Williams		114,760	25,000
Paul Wilson		250,000	50,000
Executive Directors			
Grant Straker		7,172,513	413,000

### 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 FY21:



# Additional Disclosures Continued

## Directors' Interests

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

Director / Entity	Relationship	Director / Entity	Relationship
<b>Steve Donovan</b>		<b>Grant Straker</b>	
Buro Seating Limited** and Buro Seating Limited Partnership	Director & Shareholder	Serko Limited (NZX/ASX dual listed)	Shareholder
Dopast Holdings Limited	Director & Shareholder	Bailador Technology Investments Limited (ASX listed)	Shareholder
New Zealand Pure Dairy Products Limited	Director & Shareholder	Ubco Limited	Shareholder
Canaverall Corner Limited	Director & Shareholder		
Purelac Dairy Limited		<b>Timothy Williams</b>	
Purelac Brands Limited	Director & Shareholder	90 Seconds TV Pte Limited (Singapore domiciled)	Director & Shareholder
Sherwood Country Limited	Trustee	Donovan Group NZ Limited	Director & 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 Global Limited	Director & Shareholder
Viranda Holdings Limited	Director & Shareholder	The Icehouse Limited (NPO)	Director
Bailador Technology Investments Limited	Shareholder	Shuttlerock Limited	Shareholder
Blue Frog Breakfast Limited	Shareholder	Horizon Management Limited	Director
		Remington Properties Limited	Shareholder
<b>Amanda Cribb</b>		Photowonder New Zealand Limited	Director
Human Resources Institute of New Zealand (HRNZ)	Independent Director	Design Station Limited	Director
Nealon Whanau Trust	Trustee	Firstwood Limited	Director
Flux Federation	Interim CFO	Spoke Network Limited	Director
		Managwhai Village Development Limited	Director
<b>Phil Norman</b>		Modern Building Product (2018) Limited	Director
Plexure Group Limited (NZX listed)	Director & Shareholder	T Williams Trustees Limited	Director
Plexure Limited	Director	Kiwispans 2017 Limited	Director
VMob IP Limited	Director	Coresteel New Zealand Limited	Director
VMob Singapore Pte Limited	Director	President's Bush Limited	Director & Shareholder
Xero Limited (ASX listed)	Shareholder	Global Crop Traders Co Limited	Director
Loyalty New Zealand Limited	Director	TWG General Partner Limited	Director & Shareholder
UBNZ World Markets (NZ) Limited	Shareholder	Circular Plastics General Partner Limited	Director & Shareholder
iSport Federation Holdings Limited	Shareholder	Home Research Limited	Director
Nortek Management Services Limited	Director & Shareholder	Picosos Limited	Director
TruScreen Limited (NZX listed)	Shareholder	Our Home Direct General Partner Limited	Director
MyWave Holdings Limited	Shareholder	MBP Company Limited	Director
Touchpoint Group Limited	Director & Shareholder	Dawn Aerospace Co. Ltd	Shareholder
Bright Spark Innovations GP Limited	Director	Icehouse Ventures Limited	Shareholder
Atrax Group New Zealand Limited	Advisory Board Member		
Liquidity Pty Limited	Advisory Board Member	<b>Paul Wilson</b>	
Just Life Group Limited (NSX listed)	Director	Vita Group Limited	Director & Shareholder
		Royals Multisport Private Limited (India)	Director
		Stackla Pty Limited	Director
		Online Ventures Pty Limited	Director
		Bailador Technology Investments Limited	Director & Shareholder
		Bailador Investment Management Pty Limited	Director & Shareholder
		Peandel Pty Limited	Director & Shareholder
		Kismet Pty Limited	Director

## Additional Disclosures Continued

### Share Dealing 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)
Grant Straker	23 February 2021	-	79,456
Philip Norman	22 February 2021	0.596	13,990
Grant Straker	19 & 24 February 2021	1.948	(236,323)
Stephen Donovan	26 February 2021	1.866	(764,100)

### 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.

### 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 97 of this report.

### Shareholder information

The shareholder information set out below is current at 31 March 2021.

### Issued capital

The total number of issued ordinary shares in Straker Translations Limited as at 31 March 2021 was 54,334,855.

# Additional Disclosures Continued

## Distribution of shareholding

Range	Number of holders	%	Ordinary shares	%
1 to 1,000	419	31.67	239,226	0.44
1,001 to 5,000	515	38.93	1,333,540	2.45
5,001 to 10,000	157	11.87	1,173,381	2.16
10,001 to 100,000	195	14.74	5,368,070	9.88
100,001 and over	37	2.80	46,220,638	85.07
<b>Total</b>	<b>1,323</b>	<b>100.00</b>	<b>54,334,855</b>	<b>100.00</b>

## Un-marketable share parcels

Range	Number of holders	%	Ordinary shares	%
< AUD\$500	94	7.11	19,164	0.04

## Distribution of share options

Range	Number of holders	%	Ordinary shares	%
5,001 to 10,000	2	5.56	13,640	0.53
10,001 to 100,000	27	75.00	970,437	37.83
100,001 and over	7	19.44	1,580,970	61.64
<b>Total</b>	<b>36</b>	<b>100.00</b>	<b>2,565,047</b>	<b>100.00</b>

## Options

There were 36 individuals holding a total of 2,565,047 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	Consideration per share
1. Scobie Ward	8,298,831	15.27
2. Bailador Technology Investments Limited	6,404,201	11.79
3. Skyone Capital Pty Ltd	4,211,473	7.75
4. Mr & Mrs Grant O Straker & Mrs Angelinea I Hunter	4,006,603	7.37
5. Mr Grant O Straker & Ms Merryn J Goble & Mrs Angelina I Hunter	3,165,910	5.83
6. Mr & Mrs Michael J Gregg	2,760,000	5.08
<b>Total substantial Shareholders</b>	<b>28,847,018</b>	<b>53.09</b>

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.

# Additional Disclosures Continued

## 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. Citicorp Nominees Pty Limited	8,528,253	15.70
2. Bailador Technology Investments Limited	6,404,201	11.79
3. Angelina I Hunter & Merryn J Straker & Grant O Straker	4,006,603	7.37
4. Skyone Capital Pty Ltd	3,270,900	6.02
5. Angelina I Hunter & Merryn J Goble & Grant O Straker	3,165,910	5.83
6. J P Morgan Nominees Australia Pty Limited	2,711,900	4.99
7. Msg Holdings Pty Limited	1,900,000	3.50
8. Sandra Donovan & Stephen P Donovan & Julie C Ullness	1,533,870	2.82
9. National Nominees Limited	1,468,745	2.70
10. Soul Pattinson	1,375,088	2.53
11. Skyone Fund Management Pty Ltd	1,324,504	2.44
12. Glenda Lauraine Bailey & Ian Harold Bailey	1,306,540	2.40
13. Lingotek Inc	989,022	1.82
14. Skyone Capital Pty Ltd	940,573	1.73
15. David Sowerby	918,810	1.69
16. Mr Michael John Gregg & Mrs Suzanne Jane Gregg	860,000	1.58
17. Custodial Services Limited	664,124	1.22
18. Washington H Soul Pattinson And Company Limited	572,412	1.05
19. Leigh Morgan	500,000	0.92
20. Donald Edwin Straker	450,790	0.83
<b>Top 20 holders of ordinary fully paid shares (total)</b>	<b>42,892,245</b>	<b>78.94</b>
<b>Other shareholders (balance on register)</b>	<b>11,442,610</b>	<b>21.06</b>
<b>Grand total</b>	<b>54,334,855</b>	<b>100.00</b>

## 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

There were no restricted ordinary shares as at 31 March 2021.

## 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

**Company Numbers** New Zealand 1008867  
Australia 628 707 399

**Registered office** *New Zealand*  
Level 2,  
49 Parkway Drive  
Rosedale, Auckland 0632

*Australia*  
C/o Boardroom Pty Limited  
Level 12  
225 George Street  
Sydney, NSW 2000

**Head Office Address and Principal Place of Business** Level 2,  
49 Parkway Drive  
Rosedale  
Auckland 0632  
New Zealand

**Directors** Phil Norman (Chair)

Grant Straker (Managing Director and Chief Executive Officer)

Steve Donovan

Paul Wilson

Amanda Cribb (appointed 20 July 2020)

Tim Williams

Katrina Johnson (Resigned 14 April 2020)

**Auditor** BDO, Auckland

**Share Registrar** Link Market Services Limited  
Level 12  
680 George Street  
Sydney, NSW 2000  
Australia  
Phone: +61 2 8280 7100

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

**Company website** [www.strakertranslations.com](http://www.strakertranslations.com)





**straker**  
TRANSLATIONS

