



**Straker Translations Limited And Group
Condensed Interim Financial Report For The
Half-Year Ended 30 September 2018**

straker
TRANSLATIONS



www.strakertranslations.com

ASX:STG

**STRAKER TRANSLATIONS LIMITED AND GROUP
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FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018**

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STRAKER TRANSLATIONS LIMITED AND GROUP CHAIRMAN'S REVIEW FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018

Overview

Based in New Zealand and founded in 1999, Straker has established itself as a leading global technology driven translation services platform. The Company has developed a hybrid translation platform that utilises a combination of machine translation and a crowd-sourced pool of freelance translators.

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

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

ASX Listing

The Company successfully completed an IPO and listing onto the ASX on 22 October 2018, issuing approximately 12.2 million net new shares at \$A1.51 raising \$A18.4 million (\$NZ20.0 million) to fund organic growth and further acquisitions. The raising was well supported by Australian institutional and retail investors.

Financial Performance

| | 6 Months Sep 2018 \$NZ'000s | 6 Months Sep 2017 \$NZ'000s | Change \$NZ'000s | Change % |
|------------------------------|-----------------------------------|-----------------------------------|---------------------|-----------------|
| Translation Revenue | 11,991 | 8,613 | 3,378 | 39% |
| Gross Margin | 6,628 | 4,652 | 1,976 | 42% |
| Gross Margin % | 55.3% | 54.0% | 1.3% | 2% |
| Operating costs ¹ | (6,522) | (5,438) | (1,084) | 20% |
| Adjusted EBITDA ¹ | 110 | (786) | 896 | 813% |
| EBIT | (792) | (1,195) | 403 | 34% |
| Staff (FTE's) | 122 | 83 | 39 | 47% |
| | 30 Sep 2018 | 31 Mar 2018 | Change | Change % |
| Cash at Bank | 3,585 | 7,824 | (4,239) | (54%) |

Revenues for the first half of the year were \$NZ12.0M, compared with the same six-month period for last year of \$NZ8.6M; a 39% year-on-year growth. Repeat revenues¹ increased 42% year-on-year, driven by both strong organic growth and acquisitions. Gross margin at 55.3% was also up on the previous period gross margin of 54.0%.

Operating costs at \$NZ6.5M for the first half were up 20% on the same period last year but are now only 54% of revenues by comparison with last year when they represented 63% of revenues. This demonstrates the operating leverage the Company is achieving from its technology platform, particularly with acquired businesses.

On an adjusted EBITDA basis, the Company generated a profit of \$NZ110K for the first half, a significant improvement on the adjusted EBITDA loss of (\$NZ786K) for the same period last year. The Company generated an EBIT loss of (\$NZ792K) for the first half, an improvement on the EBIT loss of (\$NZ1,195K) for the same period last year.

On a pro-forma¹ basis, revenues for the first half were \$NZ13.4M versus the prospectus forecast for the year-ending 31 March 2019 of \$NZ24.9M. The Company remains on track to achieve the year-end pro-forma revenue forecast.

¹ Non-IFRS financial performance measure. Refer to page 11 for reconciliation and explanation of IFRS financial information.

Acquisitions

During the six months to 30 September 2018, The Company completed the acquisition of two European translation companies; Eule Lokalisierung GmbH (“Eule”), based in Kiel and Cologne in Germany and Management Systems Solutions, S.L. Unipersonal (“MSS”), based in Barcelona, Spain.

Both companies are of approximately the same size, each with revenues of about \$NZ3.2M. Each also bring significant customer relationships that will be able to be leveraged to grow revenues further utilising Straker’s RAY translation platform. Integration of Eule and MSS into Straker’s core business is now well advanced.

The Company is continuing to evaluate additional acquisition opportunities in Europe and the United States, in particular looking for businesses that provide synergistic revenue, key customer relationships and operating leverage.

Translation Platform

The Company continues to invest in its RAY translation platform, which provides it with a key source of competitive advantage. During the first half of the year enhancements have been made to its core features, its connectivity with other systems, its scalability and its artificial intelligence (AI) capability.

The RAY translation platform is now recognised as being “best in class” globally and it continues to perform extremely well as transaction volumes increase as Straker’s revenues grow.

Share Options

On 15 October 2018, The Company issued 1,105,000 options in its new LTI Employee Share Option Scheme to a small group of senior executives, employees and directors. These options were issued at the IPO offer price of \$A1.51 per share.

The LTI Employee Share Option Scheme has been designed to provide longer-term incentives to executive staff, selected employees and directors to align their interests with the interests of Straker’s shareholders.

Leadership and Governance

The executive leadership team remains unchanged and must be acknowledged for concurrently managing the Company’s strong organic growth, two offshore acquisitions and the preparatory work required for the IPO. This has not been easy and the successful listing of Straker on the ASX on 22 October 2018 is a very significant achievement for which all concerned should feel proud.

On 3 July 2018, Katrina Johnson was appointed a Non-Executive Director of the Company. Katrina leads Uber’s legal team for Asia Pacific and is based in Sydney.

On 21 September 2018, James Johnstone resigned as a Non-Executive Director. James had been one of two Non-Executive Directors representing the interests of Bailador Technology Investments Limited.

Outlook

The Board is very pleased with the progress the Company has made during the first half of this financial year. Growth KPI’s have been met, financial performance has improved, two acquisitions have been completed and, immediately post period-end, the Company has successfully listed on the ASX, in so doing securing the new capital needed to further accelerate Straker’s growth trajectory.

We would like to welcome all new shareholders that invested in the Company at the time of its listing on the ASX. We would also like to say thank you to all those shareholders that were on the share register before the IPO as without their support we would not have been able to achieve the scale necessary to accomplish an IPO.

An IPO requires a substantial team effort over a sustained period of time and the Board would like to express its appreciation to all those professional advisors that became part of the IPO team and helped get the IPO over the line.

Finally, the Board would like to say thanks to all staff for their commitment, energy and hard work.

A handwritten signature in black ink, appearing to read "Phil Norman".

Phil Norman
Chairman

27 November 2018

**STRAKER TRANSLATIONS LIMITED AND GROUP
IFRS INCOME to NON-IFRS INCOME RECONCILIATION
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018**

| IFRS to non IFRS Rec | 6 months to 30 Sept 2018 \$000 | 6 months to 30 Sept 2017 \$000 |
|--------------------------------------|-----------------------------------|--------------------------------------|
| Adjusted EBITDA | 110 | (786) |
| Acquisition expenses | (412) | (8) |
| Non-operating expenses | (68) | (74) |
| EBITDA | (369) | (868) |
| Depreciation | (65) | (46) |
| Amortisation of intangibles | (145) | (92) |
| Amortisation of acquired intangibles | (212) | (188) |
| | - | - |
| IFRS EBIT | (792) | (1,195) |

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

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

Pro forma information has been extracted from the Company's Prospectus.

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

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



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

Report on the Interim Condensed Consolidated Financial Statements

We have reviewed the accompanying interim condensed consolidated financial statements of Straker Translations Limited ("the Company") and its subsidiaries (together, "the Group") on pages 8 to 20, which comprise the statement of financial position as at 30 September 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six month period ended on that date, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility

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

Our Responsibility

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

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

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

Our firm carries out other assignments for the Group in the areas of taxation advice and has provided professional services in relation to the Company's listing on the Australian Stock Exchange. The firm has no other relationship with, or interests in, the Company or any of its subsidiaries.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these interim condensed consolidated financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 30 September 2018, and of its financial performance and its cash flows for the period ended on that date, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*.

BDO Auckland

**BDO Auckland
27 November 2018
Auckland
New Zealand**

STRAKER TRANSLATIONS LIMITED AND GROUP
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018

| | Notes | For the half- year ended 30 September 2018 \$'000 | For the half- year ended 30 September 2017 \$'000 |
|---|-------|---|---|
| Revenue | 3 | 11,991 | 8,613 |
| Cost of sales (translator contractor costs) | | (5,363) | (3,961) |
| Gross margin | | 6,628 | 4,652 |
| Other income | | 19 | 5 |
| | | 6,647 | 4,657 |
| Selling and distribution expenses | | (4,054) | (3,408) |
| Administration expenses | | (2,761) | (2,248) |
| Loss from trading operations before amortisation of acquired intangibles and acquisition of subsidiaries costs | | (168) | (999) |
| Amortisation of acquired intangibles | 5 | (212) | (188) |
| Acquisition of subsidiaries costs | | (412) | (8) |
| Operating loss before net finance income | | (792) | (1,195) |
| Finance income | | 600 | 146 |
| Finance expense | | (51) | (83) |
| Net finance income | | 549 | 63 |
| Loss before income tax | | (243) | (1,132) |
| Income tax credit | | 23 | 71 |
| Loss for the half-year after tax | | (220) | (1,061) |
| Other Comprehensive Income | | | |
| <i>Items that may be reclassified to profit or loss, net of tax</i> | | | |
| Foreign currency translation differences | | (407) | (67) |
| Total Comprehensive Income for the half-year | | (627) | (1,128) |
| Earnings per share for the period attributable to the owners of the parent during the half-year | | | |
| Basic earnings per share (cents) | 7 | (8.87) | (44.84) |
| Diluted earnings per share (cents) | 7 | (5.98) | (29.98) |

**STRAKER TRANSLATIONS LIMITED AND GROUP
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018**

| Notes | Share Capital | Accumulated Losses | Share Option Reserve | Foreign Currency Translation Reserve | Total Equity |
|---|------------------|-----------------------|-------------------------|---|-----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Group - 30 September 2018 | | | | | |
| Balance 1 April 2018 | 21,402 | (9,438) | 121 | (30) | 12,055 |
| Loss for the half-year | - | (220) | - | - | (220) |
| Currency translation differences | - | - | - | (407) | (407) |
| Total comprehensive income for the half-year | - | (220) | - | (407) | (627) |
| <i>Transactions with owners in their capacity as owners</i> | | | | | |
| Issue of share capital | 173 | - | - | - | 173 |
| Share option cost expensed | - | - | 21 | - | 21 |
| Balance 30 September 2018 | 21,575 | (9,658) | 142 | (437) | 11,622 |
| Group - 30 September 2017 | | | | | |
| Balance 1 April 2017 | 13,705 | (7,914) | 60 | 42 | 5,893 |
| Loss for the half-year | - | (1,061) | - | - | (1,061) |
| Currency translation differences | - | - | - | (67) | (67) |
| Total comprehensive income for the half-year | - | (1,061) | - | (67) | (1,128) |
| <i>Transactions with owners in their capacity as owners</i> | | | | | |
| Share option cost expensed | - | - | 21 | - | 21 |
| Balance 30 September 2017 | 13,705 | (8,975) | 81 | (25) | 4,786 |

STRAKER TRANSLATIONS LIMITED AND GROUP
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018

| | Notes | 30 September 2018 \$'000 | 31 March 2018 \$'000 |
|--------------------------------------|-------|--------------------------------|----------------------------|
| Current Assets | | | |
| Cash and cash equivalents | | 3,585 | 7,824 |
| Trade receivables | | 4,863 | 1,994 |
| Other assets and prepayments | | 2,274 | 1,216 |
| Total Current Assets | | 10,722 | 11,034 |
| Non-current Assets | | | |
| Intangible assets | 5 | 8,967 | 5,120 |
| Plant and equipment | | 204 | 110 |
| Total Non-current Assets | | 9,171 | 5,230 |
| Total Assets | | 19,893 | 16,264 |
| Current Liabilities | | | |
| Trade payables | | 1,153 | 511 |
| Sundry creditors and accruals | | 2,869 | 1,801 |
| Employee provisions | | 372 | 223 |
| Deferred consideration | 6 | 2,133 | 768 |
| Total Current Liabilities | | 6,527 | 3,303 |
| Non-current Liabilities | | | |
| Deferred tax liability | | 391 | 444 |
| Deferred consideration | 6 | 1,353 | 462 |
| Total Non-current Liabilities | | 1,744 | 906 |
| Total Liabilities | | 8,271 | 4,209 |
| NET ASSETS | | 11,622 | 12,055 |
| Equity | | | |
| Share capital | | 21,575 | 21,402 |
| Foreign currency translation reserve | | (437) | (30) |
| Share option reserve | | 142 | 121 |
| Accumulated losses | | (9,658) | (9,438) |
| TOTAL EQUITY | | 11,622 | 12,055 |

Approved for and on behalf of the Board of Directors on 27 November 2018


 Director


 Director

**STRAKER TRANSLATIONS LIMITED AND GROUP
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018**

| | Notes | For the half- year ended 30 September 2018 \$'000 | For the half- year ended 30 September 2017 \$'000 |
|--|-------|---|---|
| Cash flows from operating activities | | | |
| Receipts from customers | | 10,820 | 8,091 |
| Interest received | | 26 | 2 |
| Payments to suppliers and employees | | (11,803) | (9,156) |
| Net cash used in operating activities | | <u>(957)</u> | <u>(1,063)</u> |
| Cash flows from investing activities | | | |
| Payments for capitalised software development | | (361) | (300) |
| Payments for plant and equipment | | (53) | - |
| Payments for acquisition transaction costs | | (259) | - |
| Payments for acquisition of subsidiaries, net of cash acquired | | (2,158) | (87) |
| Net cash used in investing activities | | <u>(2,831)</u> | <u>(387)</u> |
| Cash flows from financing activities | | | |
| IPO Costs | | (459) | - |
| Payment of deferred consideration | | (27) | (485) |
| Net cash from financing activities | | <u>(486)</u> | <u>(485)</u> |
| Net decrease in cash and cash equivalents | | (4,274) | (1,935) |
| Effect of exchange rate on foreign currency balances | | 35 | 76 |
| Cash and cash equivalents at beginning of the period | | 7,824 | 3,475 |
| Cash and cash equivalents at end of the period | | <u>3,585</u> | <u>1,616</u> |

STRAKER TRANSLATIONS LIMITED AND GROUP NOTES TO AND FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018

1. BASIS OF PREPARATION

These condensed interim consolidated financial statements of Straker Translations Limited (the “Company”) and its subsidiaries (together the “Group”) for the half-year ended 30 September 2018 have been prepared in accordance with the requirements of NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the audited 2018 Annual Report. For the purposes of complying with generally accepted accounting practice in New Zealand, the Group is a for-profit entity.

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

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

The unaudited condensed interim consolidated financial statements for the Group for the six months ended 30 September 2018 were authorised for issue on 27 November 2018 by the Board of Directors.

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

a) Accounting policies

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

Straker Translations Limited has applied the same accounting policies and methods of computation in its condensed interim consolidated financial statements as in its 2018 annual financial statements, except for those that relate to new standards that have been adopted in the current period (see below).

The condensed interim 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 2018

New standards, interpretations and amendments effective from 1 April 2018

Two new financial reporting standards are applied for the first time in these financial statements.

- NZ IFRS 15 Revenues from Contracts with Customers is the new standard for the recognition of revenue.

NZ IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of a promised good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 ‘Revenue’ and NZ IAS 11 ‘Construction contracts’ and related interpretations.

The steps considered in the analysis of the impact of IFRS 15 on contract revenue recognition were:

- i) Identifying the contract;
- ii) Identifying separate performance obligations;
- iii) Determining the transaction price;
- iv) Allocating the transaction price to performance obligations;
- v) Recognising revenue as or when each performance obligation is satisfied.

STRAKER TRANSLATIONS LIMITED AND GROUP NOTES TO AND FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018

1. BASIS OF PREPARATION (CONTINUED)

The Group has worked through a representative sample of its translation service contracts in conjunction with a report commissioned from an external advisor with reference to this new standard.

The key area that was identified from this analysis was the ability of the Group to continue recognising revenue on an over time basis based on the new criteria imposed by NZ IFRS 15, specifically, that the translation services being provided have no alternate use (either practicably or contractually), and, that Straker has an enforceable right to payment for work performed to date at all times during the contract. In assessing this, this required the Group to:

- i) ensure that contract termination clauses are reviewed and amended, as may be required, to ensure that the Group has an enforceable right to either demand revenue for the work completed to date at any point, or to finish the contracted work and charge the customer for the full contractual amount; and
- ii) ensure that the rule of law in specific jurisdictions permits, or does not negate, the contractual termination clause.

Also, management have assessed and determined that the Group has a single performance obligation, being the provision of translation services.

Management have sought legal advice and updated the wording of the relevant clauses in the Group's standard terms and conditions, and in new Master Sales Agreements which have strengthened the Group's rights under the termination clauses.

The Group's senior management team have reviewed the existing and updated termination clauses and are satisfied that they meet the criteria to recognise revenue on an over time under IFRS 15.

In measuring the progress of the completion of contracts in progress, management have determined that an assessment ("output") based method remains most appropriate to recognise revenue on an over-time basis.

Based on the above, management have concluded the amount, timing, and profile of the Group's revenue recognition does not materially change upon the adoption, and retrospective application, of IFRS 15. As such, there is no adjustment to opening retained earnings upon transition.

Revenue that has been recognised, but has not yet been (contractually) invoiced to customers, is presented in the condensed consolidated statement of financial position as accrued revenue, part of other assets and prepayments.

- NZ IFRS 9 Financial Instruments - Management have conducted a review of the impact of future changes under the new financial instrument standard. It was determined that there are no material changes to the way that the Group recognises and measure its financial instruments.

The Group previously classified its financial instruments as loans and receivables, liabilities at amortised cost and liabilities at fair value through profit or loss. Under the new accounting standard, the Group has classified its financial instruments as financial assets at amortised cost, financial liabilities at amortised cost and liabilities at fair value through profit or loss, respectively. There have been no adjustments as a result of the classification.

The earnings per share and segment information are being reported by the Group for the first time in this set of condensed interim consolidated financial statements.

c) Use of estimates and judgements

There have been no material changes to the estimates and judgements reported in the 2018 annual financial statements.

STRAKER TRANSLATIONS LIMITED AND GROUP
NOTES TO AND FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018

2. SEGMENT REPORTING

The Group provides translation services to its customers.

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

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

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

Inter-segment sales are minimal.

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

| Half-year ended 30 September 2018 | APAC | EMEA | NAM | TOTAL |
|---|---------------|---------------|---------------|---------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| <i>Revenue</i> | | | | |
| Total revenue from external customers | 2,054 | 5,585 | 4,352 | 11,991 |
| Other income | 19 | - | - | 19 |
| Total income | 2,073 | 5,585 | 4,352 | 12,010 |
| Cost of sales, Selling and distribution and Administration expenses | (1,834) | (5,609) | (4,735) | (12,178) |
| Segment contribution | 239 | (24) | (383) | (168) |
| | | | | |
| Half-year ended 30 September 2017 | | | | |
| <i>Revenue</i> | | | | |
| Total revenue from external customers | 1,605 | 2,471 | 4,537 | 8,613 |
| Other income | 5 | - | - | 5 |
| Total income | 1,610 | 2,471 | 4,537 | 8,618 |
| Cost of sales, Selling and distribution and Administration expenses | (1,762) | (2,933) | (4,922) | (9,617) |
| Segment contribution | (152) | (462) | (385) | (999) |

**STRAKER TRANSLATIONS LIMITED AND GROUP
NOTES TO AND FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018**

| | Notes | For the half- year ended 30 September 2018 \$'000 | For the half- year ended 30 September 2017 \$'000 |
|---|-------|---|---|
| 2. SEGMENT REPORTING (CONTINUED) | | | |
| Reconciliation from segment contribution to loss before tax | | | |
| Segment contribution | | (168) | (999) |
| Amortisation of acquired intangibles | | (212) | (188) |
| Acquisition of subsidiaries costs | | (412) | (8) |
| Net finance income | | 549 | 63 |
| Loss before income tax | | (243) | (1,132) |

3. REVENUE

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

Types of goods and services:

| | | |
|----------------------|--------|-------|
| Translation services | 11,991 | 8,613 |
|----------------------|--------|-------|

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

4. BUSINESS COMBINATIONS COMPLETED IN CURRENT PERIOD

During the current half-year, the Group acquired two subsidiary companies, Management System Solutions SL Unipersonal and Eule Lokalisierung GmbH.

Both entities are providers of translation services and the acquisitions were made as part of the growth strategy of the Group.

An element of the deferred consideration liabilities are contingent on the achievement of revenue targets and are detailed in note 6.

A fair value assessment of the acquirees' assets and liabilities has not been undertaken at the date of signing and the identifiable assets and liabilities are shown at book value. Valuation of any separately identifiable intangible assets, including customer relationships, will be determined by an independent valuer.

The excess of purchase price over the identifiable assets and liabilities will be recorded as goodwill. The goodwill is attributable to the assembled workforce and other synergies expected to arise, which do not qualify for separate recognition. The purchase price surplus shown is therefore a provisional value, which is subject to change.

**STRAKER TRANSLATIONS LIMITED AND GROUP
NOTES TO AND FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018**

4. BUSINESS COMBINATIONS COMPLETED IN CURRENT PERIOD (CONTINUED)

Management System Solutions SL Unipersonal “MSS” (Spain)

On 1 June 2018 the Group obtained control of MSS by acquisition of 100% of the share capital of the company. MSS is a company incorporated in Spain on 22nd December 1993.

Eule Lokalisierung GmbH “Eule” (Germany)

On 1 July 2018 the Group obtained control of Eule by acquisition of 100% of the share capital of the company. Eule is a company incorporated in Germany on 9th August 2005.

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.

| Book value of assets and liabilities acquired | MSS \$'000 | Eule \$'000 | Total \$'000 |
|--|-----------------------|------------------------|-------------------------|
| Cash | 1,660 | 513 | 2,173 |
| Debtors and other receivables | 852 | 763 | 1,615 |
| Property, plant & equipment | 21 | 50 | 71 |
| Intangible assets | 37 | 56 | 93 |
| Creditors and accruals | (550) | (482) | (1,032) |
| Total net assets | 2,020 | 900 | 2,920 |
| Cash paid | 3,259 | 1,072 | 4,331 |
| Issue of shares in Straker Translations Limited | - | 173 | 173 |
| Fair value of deferred consideration liability | 1,148 | 1,037 | 2,185 |
| | 4,407 | 2,282 | 6,689 |
| Goodwill resulting from acquisition (provisional) | 2,387 | 1,382 | 3,769 |

Goodwill is not expected to be tax deductible.

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

| | MSS \$'000 | Eule \$'000 | Total \$'000 |
|---|-----------------------|------------------------|-------------------------|
| Revenue since date of acquisition | 1,240 | 756 | 1,996 |
| Profit before tax since date of acquisition | 189 | 35 | 224 |

If the acquisition date for these business combinations had been 1 April 2018, the pro forma revenue and profit for each would have been:

| | | | |
|---|-------|-------|-------|
| Pro forma revenue for half-year | 1,675 | 1,727 | 3,402 |
| Profit before tax since date of acquisition | 217 | 79 | 296 |

A liability is recognised for contingent future earn out payments. This is detailed in note 6.

STRAKER TRANSLATIONS LIMITED AND GROUP
NOTES TO AND FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS FOR THE
HALF-YEAR ENDED 30 SEPTEMBER 2018

| At 30 September 2018 | Capitalised Development Software \$'000 | Computer Software \$'000 | Customer Relationship Asset \$'000 | Goodwill \$'000 | Total \$'000 |
|---|--|--------------------------------|---|--------------------|-----------------|
| 5. INTANGIBLE ASSETS | | | | | |
| <u>Cost</u> | | | | | |
| Opening balance | 1,521 | 161 | 2,052 | 2,218 | 5,952 |
| Acquired as part of business combinations (Refer to note 4) | - | 93 | - | 3,769 | 3,862 |
| Additions | 361 | 8 | - | - | 369 |
| Impairment | (9) | - | - | - | (9) |
| At 30 September 2018 | 1,873 | 262 | 2,052 | 5,987 | 10,174 |
| <u>Amortisation</u> | | | | | |
| Opening balance | (290) | (75) | (467) | - | (832) |
| Exchange differences | - | - | 24 | - | 24 |
| Charge recognised in statement of comprehensive income | (145) | (42) | (212) | - | (399) |
| At 30 September 2018 | (435) | (117) | (655) | - | (1,207) |
| <u>Net book value</u> | | | | | |
| At 30 September 2018 | 1,438 | 145 | 1,397 | 5,987 | 8,967 |
| At 31 March 2018 | | | | | |
| <u>Cost</u> | | | | | |
| Opening balance | 895 | 161 | 2,052 | 2,218 | 5,326 |
| Acquired as part of a business combination | - | - | - | - | - |
| Additions | 626 | - | - | - | 626 |
| Impairment | - | - | - | - | - |
| At 31 March 2018 | 1,521 | 161 | 2,052 | 2,218 | 5,952 |
| <u>Amortisation</u> | | | | | |
| Opening balance | (82) | (49) | (92) | - | (223) |
| Charge recognised in statement of comprehensive income | (208) | (26) | (375) | - | (609) |
| At 31 March 2018 | (290) | (75) | (467) | - | (832) |
| <u>Net book value</u> | | | | | |
| At 31 March 2018 | 1,231 | 86 | 1,585 | 2,218 | 5,120 |

STRAKER TRANSLATIONS LIMITED AND GROUP
NOTES TO AND FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018

| | Notes | 30 September 2018 \$'000 | 31 March 2018 \$'000 |
|---|-------|--------------------------------|----------------------------|
| 6. DEFERRED CONSIDERATION LIABILITIES | | | |
| Opening balance | | 1,230 | 3,216 |
| On acquisition | | 2,185 | - |
| Effect of change in foreign exchange rates | | 181 | - |
| Paid in year | | (27) | (1,001) |
| Gain on fair value adjustment | | (125) | (1,080) |
| Unwinding of imputed interest | | 42 | 95 |
| Closing balance | | 3,486 | 1,230 |
| Due within one year | | 2,133 | 768 |
| Due after more than one year | | 1,353 | 462 |
| Total Deferred consideration liabilities | | 3,486 | 1,230 |
| Deferred consideration element | | 1,328 | 982 |
| Contingent consideration element | | 2,158 | 248 |
| Total Deferred consideration liabilities | | 3,486 | 1,230 |

Note 4 details the acquisition of two subsidiaries during the year.

In relation to the acquisition of MSS, a contingent earn out liability of Euro €0.375m is payable upon the successful achievement of revenue targets on 31 May 2019 and 31 May 2020. The maximum contingent earn out liability of €0.75m has been accrued, is payable in EUR (€) and has been discounted based on the Group's incremental borrowing rate and the number of years remaining under the earn out period.

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

In relation to the acquisition of Eule, a contingent earn out liability of Euro €0.257m is payable upon the successful achievement of revenue targets on 30 June 2019 and 30 June 2020. The maximum contingent earn out liability of €0.514m has been accrued, is payable in Euro (€) and has been discounted based on the Group's incremental borrowing rate and the number of years remaining under the earn out period.

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

In relation to the acquisition of Elanex Inc. in the financial year ended 31 March 2017, a contingent earn out liability of US\$0.04m is payable upon the forecast achievement of revenue targets on 1 February 2019. The earnout liability has been accrued and is payable in US dollars.

**STRAKER TRANSLATIONS LIMITED AND GROUP
NOTES TO AND FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018**

7. EARNINGS PER SHARE

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

| | For the half- year ended 30 September 2018 \$'000 | For the half- year ended 30 September 2017 \$'000 |
|--|---|---|
| <i>Numerator</i> | | |
| Loss for the half-year after tax ("N") | (220) | (1,061) |
| <i>Denominator</i> | | |
| | '000 | '000 |
| Period end number of ordinary shares used in basic EPS ("D1") | 2,480 | 2,366 |
| Effects of: | | |
| Employee share options | 77 | 49 |
| Preference shares | 1,124 | 1,124 |
| Period end number of shares used in diluted EPS ("D2") | 3,681 | 3,539 |
| | Cents | Cents |
| Basic earnings per share (N/D1 x 100) | (8.87) | (44.84) |
| Diluted earnings per share (N/D2 x 100) | (5.98) | (29.98) |

8. EVENTS AFTER THE REPORTING PERIOD

- a) The Company listed on the ASX on the 22nd October 2018. In the process, the Company sold 14,057,119 shares raising \$23.1 million in share capital equity. This was accompanied by a sell-down of 1,871,689 shares by existing shareholders, which reduced share capital equity by \$3.1 million.

\$1.35 million of the sell-down value was for 822,689 shares sold by a corporate investor whose managing partner is also a director of the Group. This investor remained the single largest shareholder in the Group at the date of signing these financial statements.

- b) After the reporting date, ordinary share options were issued to the directors, executives and staff of the Company totalling 1,105,000 options at the listing price of AUD 1.51 per share.

There are no other events after the reporting period.

**STRAKER TRANSLATIONS LIMITED AND GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018**

9. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

| Level 3 | Notes | 30 September 2018 \$'000 | 31 March 2018 \$'000 |
|------------------------------|-------|--------------------------------|----------------------------|
| Financial Liabilities | | | |
| Deferred consideration | | 3,486 | 1,231 |

Details of the deferred consideration liability have been provided in note 6.

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

Quantitative information on significant unobservable inputs - Level 3

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

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

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

Sensitivity analysis to significant changes in unobservable inputs - Level 3

A -10% change in the forecast revenue input has a \$0.65m reducing effect on the fair value of the deferred consideration liability which would be recognised as a fair value gain through profit or loss.

A +10% change in the forecast revenue has no effect on the deferred consideration liability recognised at fair value as the maximum deferred consideration liability has been accrued based on current revenue forecasts.

A +/-10% change in the discount rate input has a \$0.015m effect on the fair value of the earnout liability recognised at fair value through profit or loss.

**STRAKER TRANSLATIONS LIMITED AND GROUP
COMPANY DIRECTORY
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2018**

| | | |
|--|---|---|
| New Zealand Company Number | : | 1008867 |
| Australian Registered Body Number | : | 628 707 399 |
| Registered offices | : | New Zealand C/o BDO Auckland Level 4, 4 Graham Street Auckland Australia C/o PwC Australia One International Towers Watermans Quay Barangaroo New South Wales |
| Principal place of business | : | Auckland, New Zealand |
| Independent Auditor | : | BDO Auckland Auckland |
| Solicitor | : | Bell Gully Wellington |
| Bankers | : | ANZ Bank BNZ Bank NAB Bank |
| Directors | : | Grant Straker Stephen Donovan Katrina Johnson appointed 3 rd July 2018 James Johnstone resigned 21 st September 2018 Philip Norman Tim Williams Paul Wilson |
| Company Secretary | : | Laura Newell |
| Share Registrar | : | Link Market Services Limited Sydney |
| Company website | : | www.strakertranslations.com |

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