ASX:STG

STRAKER TRANSLATIONS GROUP

Interim Report 2022

Straker is a world leading AI-enabled language services provider that powers global growth for business

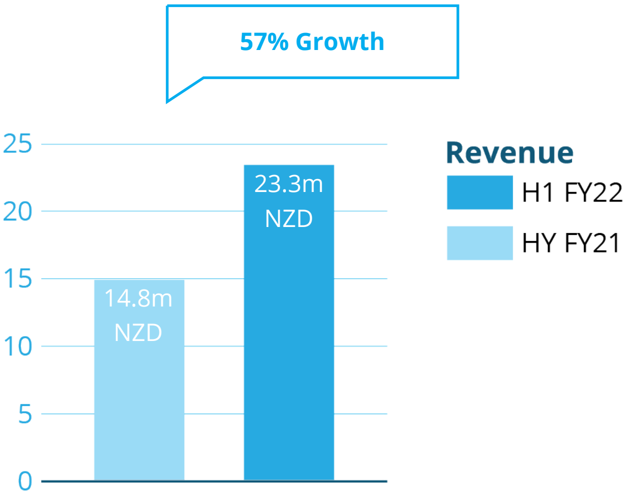
Contents

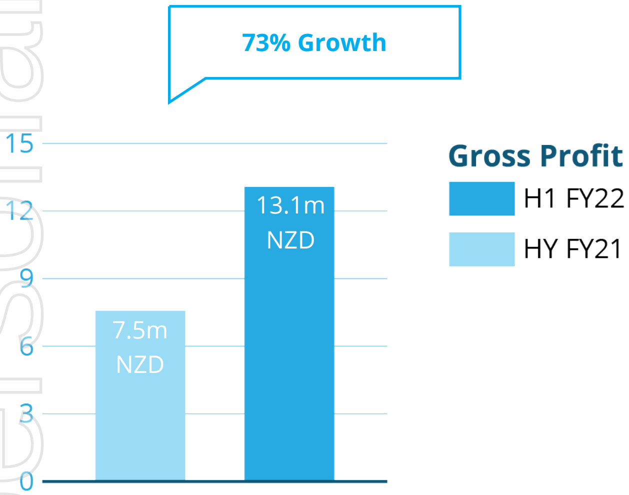
H1 2022 Highlights

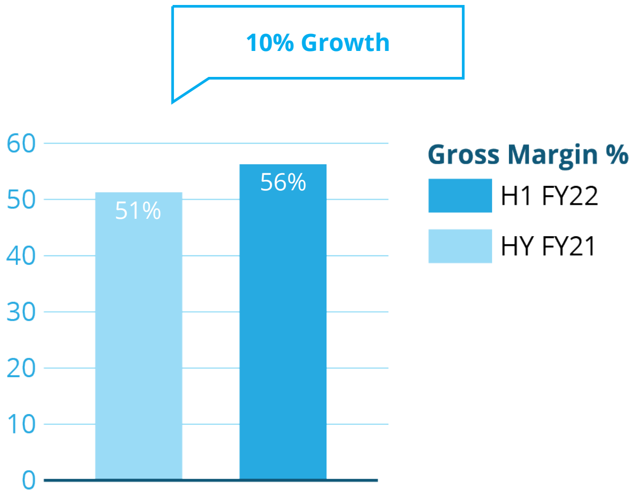
Driving to our $100m revenue target

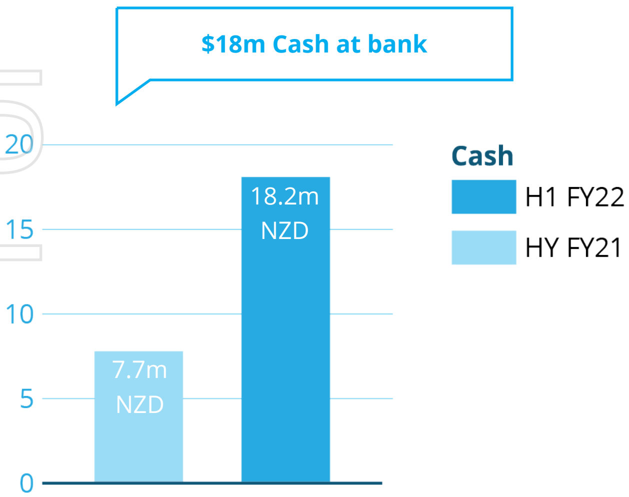
A significant half year of delivery on our growth has set us up well as we head towards our $100m aspirational revenue growth target.

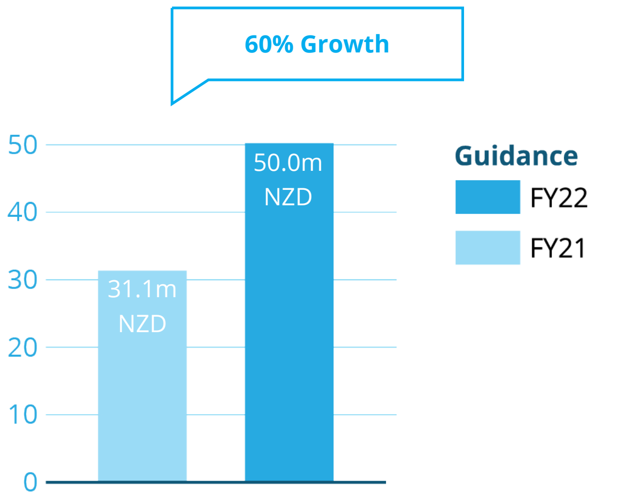
Strong delivery on the traditional key indicators of a strong business.



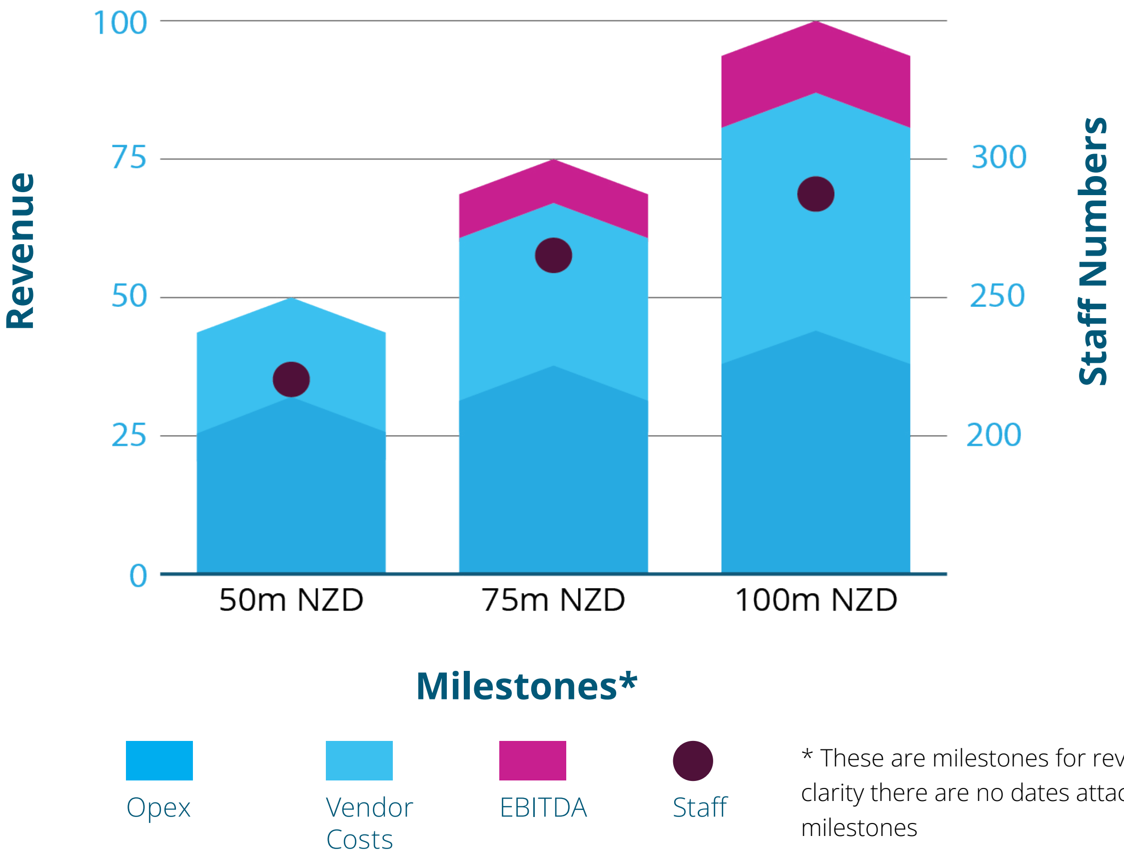








As we head towards our aspirational goal of $100m in revenue we do not expect our headcount or operating costs to increase at the same rate as our revenue. Historically our staff numbers have risen in-line with our revenue, we now expect to achieve more leverage from our platform.



* These are milestones for revenue - for clarity there are no dates attached to these milestones

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 and reduce complexity & cost in language services

Chairman and CEO's review

Taking the opportunities and delivering on our commitments

Dear Shareholders,

We are immensely proud of our achievements in the last half year. Our strategy to drive growth through acquisition and gaining a greater share of the localisation spend from our broad network of global enterprise relationships is delivering strong results.

We have grown our revenue rapidly as we have delivered on our strategy to be the technology led change maker in the global localisation sector.

"The transformational deals we struck in the second half of the prior financial year – the acquisition of the US-based Lingotek and the strategic translation alliance with IBM – set us up for strong growth."

It is a source of tremendous satisfaction to be able to report that Straker has made the most of the opportunities that have emerged from the agreements and continued to develop the significant latent value emerging from them.

Practically, the agreements have driven a strong increase in group revenue, extending our record and positioning us well to drive towards our aspirational target of $100 million in revenue.

Indeed, compared to 1HFY21 we have added additional annualised revenues of $17 million driving us towards our full-year revenue guidance of $50 million.

Since the start of the year, translation volumes through our platform have surged. IBM content is now running at more than 10 million words a month up from 1 million in January and is ahead of expectations. We are also delivering translations in 90 different languages up from just two in January and the 55 envisaged when we set this contract in motion.

We have also delivered on our service commitments to IBM, with more than 80% of IBM's translation requests now being delivered directly to our systems.

Our acquisition of Lingotek is delivering on the promise we saw. It has grown organically, with its revenue for the half year period up nearly 10% on the same period in the prior year when it was under different ownership. Lingotek has benefitted from new SaaS wins including the global electronics giant Panasonic, while also renewing its contract with the sports good giant Nike.

In addition to consolidating our position in North America, Lingotek's translation connector technologies, which will allow translations to be delivered directly into clients' systems, and its SaaS capabilities offer significant latent value to Straker that we will continue to develop over the coming year.

We have made good progress integrating the Lingotek and Straker teams. We are taking the best from both companies, delivering service improvements to all our clients.

Aligned with our strategy to gain a greater share of our clients' translation spend and our focus on large enterprise clients, we are putting in place new sales and marketing strategies to drive deeper engagement with existing clients and build enduring relationships with new clients.

With a current team size of 230 we now believe we are at a scale to generate increasing sales with improving operating leverage.

We are seeing a growing sales pipeline and are enjoying deeper engagement with new and prospective clients. These efforts have been bolstered by our success with IBM, which has validated the advantages of our technology and our trans-national reach with a globally significant client and a leader in AI technologies.

The new enterprise approach means we must accept a longer period from the initial pitch through to winning new business. But the potential value creation, as the IBM contract demonstrated, is significantly larger and we are hopeful of reporting the successes of these strategies in the coming quarters.

FINANCIAL RESULTS

Revenue for the half year to 30 September 2021 increased 57.5% to a record $23.3 million from $14.8 million at the same time a year ago.

The increase was driven by the contribution of recent acquisitions, most notably Lingotek, and the strategic translation alliance with IBM.

Gross profit rose to $13.1 million from $7.6 million representing 56% of revenue, up from 51% in September 2020. The increased margin reflected the ongoing benefits that come from Straker's RAY platform and the contribution of high-margin SaaS revenue from Lingotek.

Adjusted EBITDA was a $1 million loss down from a $0.04 million profit. The EBITDA loss is due to the upfront investment we have made in the business to meet the needs of the rapidly scaling IBM business and the costs of scaling up our sales and marketing efforts to focus on further organic growth opportunities.

The company retains a strong balance sheet following the A$25 million highly successful capital raise in the final month of the first quarter. Cash reserves at the end of the quarter stood at $18.2 million down from the $22.1 million at the end of the first quarter and $7.7 million at the same time a year ago.

RESEARCH AND DEVELOPMENT

As we mentioned in our quarterly update, our research and development team remain focussed on further integration with IBM's systems and linking Lingotek's powerful suite of translation connectors with the RAY platform.

The application programming interface (API) that allows IBM to directly link its systems to the RAY platform was deployed in October, replacing a patchwork of legacy systems. The API has significantly accelerated the speed and efficiency of IBM translations, further contributing to margin improvements and service responsiveness.

Our focus is now on increasing the automation of the workflow from IBM through to the RAY platform. A key aim is to bring our artificial intelligence capabilities to bear on tasks such as the selection of the best translators to correct initial machine translations.

We have also deployed the first Lingotek translation connector that will give clients the choice to either link with the RAY translation platform or continue to use Lingotek's platform. This connector, for website software WordPress, is working well and we are now turning our attention to other connectors such as those that connect our clients' CRM and e-commerce platforms.

Chairman and CEO's review continued

Taking the opportunities and delivering on our commitments

We also continue work on building SaaS functionality into the RAY platform. The aim continues to be to offer our clients the benefits that come from subscription translation services, including high value features such as advanced connectors and our validation platform.

Finally, during the period our information infrastructure received ISO27001 certification, the gold standard for information security. This accreditation is pivotal to our success in securing the support of the global enterprise clients we are targeting.

OUTLOOK

Our focus for the remainder of the year is to continue to drive organic growth particularly among the large enterprises that operate across multiple borders, increase our share of the translation spend among our existing client base and leverage our technological leadership and global reach to drive sector consolidation.

Straker is well positioned to achieve these goals. We have market leading technology, a global footprint and offer our clients opportunities to automate and consolidate their global translation requirements with a single provider delivering significant productivity benefits and cost savings.

Our successes with large enterprises such as IBM are providing a high-profile validation of these capabilities and we are confident that its endorsement will, over time, bring more large enterprise accounts to Straker, especially as our new sales and marketing strategy gains traction.

The US$55 billion localisation market in which we operate is highly fragmented with over 20,000 providers operating in the sector, the majority of which rely on outdated and cumbersome manual processing of translations. The sector is therefore ripe for the disruption our RAY platform delivers as well as consolidation.

With our strong balance sheet, we believe we can continue to be a change maker in the sector, and we continue to explore bolt-on acquisitions that will benefit from our technologies, extend our reach into key markets and establish relationships with new global enterprise clients.

We believe we are on track to deliver on our aspirational target of $100 million.

We continue to forecast sales for FY2022 to exceed $50 million with a margin exceeding the 53.4% recorded in the FY2021 year.

Phil Norman
Chairman

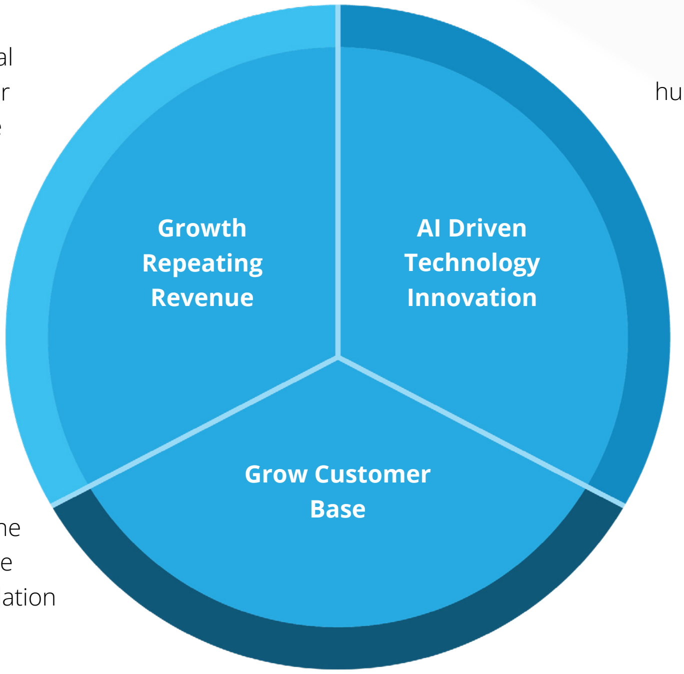
Grant Straker
Chief Executive Officer

Our Strategy

Straker Translations strategy is built on a focus on innovation and growth

Use our technology and global services capability to grow our repeating revenue base while maintaining high margins

Be world leaders in using AI, humans and automation in the translations process



Expand through organic and acquired growth to capture the opportunities and value as the translations industry consolidation

AI DRIVEN TECHNOLOGY INNOVATION:

Our proposition is founded on our advanced RAY AI platform. Our goal is to be the world leaders in using humans and automation in the translation process.

What we achieved in the first half of the financial year:

We linked our systems with IBM's via an application programming interface (API) allowing more than 80% of translations to be delivered automatically, accelerating the speed and efficiency of the work we are doing for this client.

We deployed the first Lingotek translation connector that will give clients the choice to either link with the RAY translation platform or continue to use Lingotek's platform.

We are now turning our attention to other connectors such as those that connect our clients' CRM and e-commerce platforms.

We are working to build Software as a Service functionality into RAY.

GROW CLIENT BASE:

Straker's growth strategy is founded on building organically from our existing operations and through acquisitions that will take us into new markets and establish new enterprise relationships.

What we achieved in the first half of the financial year:

We have onboarded IBM and delivered on our service commitments to the company. IBM translation volumes have grown from 1 million a month in January to 10 million now and continue to grow.

Our success with IBM has validated the advantages of our technology and our transnational reach with a globally significant client and a leader in AI technologies.

We continue to explore consolidation opportunities in the global translation sector.

GROW REPEATING REVENUE:

Straker uses its technology and global services capability to grow our repeating revenue base, while maintaining high margins.

What we achieved in the first half of the financial year:

Lingotek has given us new Software as a Service capabilities and we are working to build this capability into the RAY translation platform

The IBM contract has been extended to 90 languages from the original 50 languages envisaged when we signed the agreement.

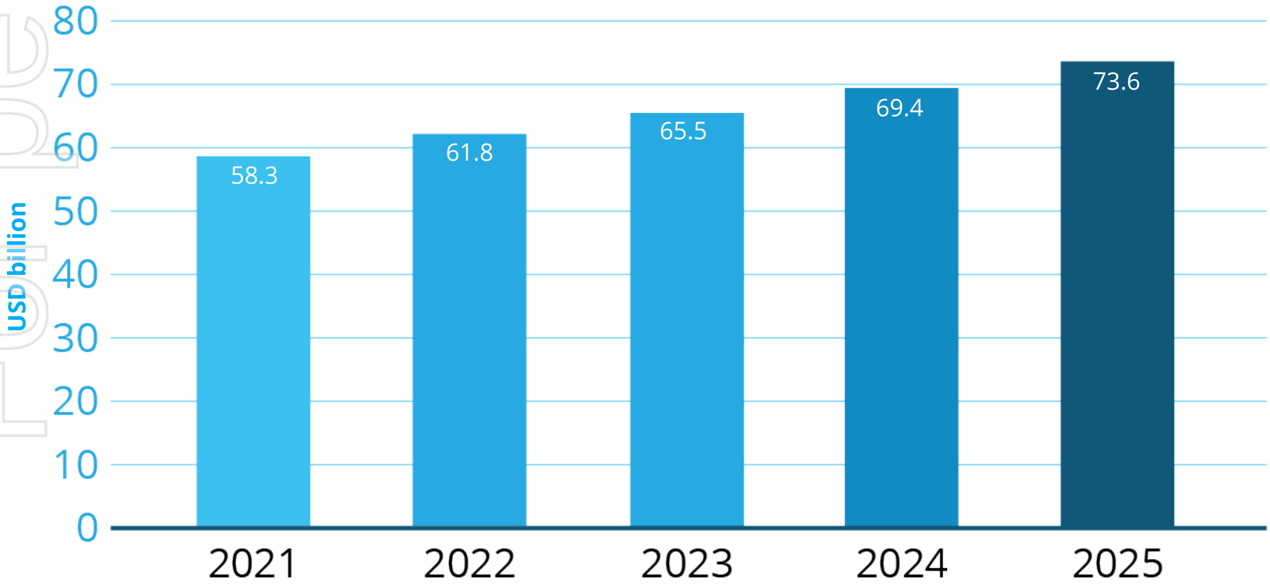
We have launched a new sales strategy to drive deeper engagement with existing clients and build enduring relationships with new clients.

The opportunity: estimated market growth

The global market for language services is large, at an estimated US$55bn in 2020.

It is expected to grow at an estimated compound rate of over 6% up until 2025 to US$73.6 billion supported by factors such as increasing levels of globalisation, the rapid increase in online and offline content being produced, the economic emergence of new markets with specific language requirements and European regulatory requirements. Typical content that is translated includes product brochures, operating manuals, legal documents and websites.

The market is also highly fragmented with the top 100 companies accounting for just 15.0% of the overall language industry in 2020, creating opportunities for companies with a technology advantage such as Straker to drive consolidation in the industry.



Market Volume

Case studies: our technology advantage

Straker's leadership in translation markets is founded on the strengths of its powerful suite of customisable AI and automation translation tools, which help our clients reach theirs faster and smarter than ever before.

SEAT, the Spanish car maker and a Canadian content agency Stretch Creative have both enjoyed the full benefit of Straker's leadership when they asked us to deliver large and strategic translations within short time frames. In the past translation providers would have asked the client to compromise on either speed, cost or quality. But Straker, confident in the strengths of our solutions, rose to the challenge.

Meeting SEAT's need for speed

SEAT, a division of the German vehicle giant Volkswagen, earlier this year took full advantage of Straker's technological leadership. They asked us to translate 10 e-learning courses into six different languages and do all of that in just a month.

The task - a total of 3.9 million words - followed four steps. First came the translation, then the review, followed by voice over of the content, and then integration of the translations with the e-learning software and testing. The entire contract was channelled through the RAY translation workbench, where the content was first subject to machine translation and then reviewed by preferred translators selected by the RAY workbench. The work was delivered on a rolling basis ahead of deadline and under budget.

RAY hits its stride with Stretch Creative

Stretch Creative is an Canadian based content agency that creates content to help global enterprises to market their brands, showcase their products and services and drive customer enquiry and conversion.

Stretch came to Straker with a contract for 1.2 million words to be delivered in 90 days.

Due to previously set client expectations, they asked us to deliver the translation at a price that few traditional providers could meet. Meanwhile given the time available, the job required several translators to work in tandem. All in all, it was a task that only an experienced technology led translation provider could deliver.

The RAY platform took all of this in its stride. It selected the best and most productive translators to review and edit the initial machine translation and it managed a workflow of rolling deliveries through to client review and approval. Moreover, despite the keen initial price, Straker delivered the US$180,000 contract without sacrificing margin. Stretch has since delivered new clients to Straker and we continue to collaborate today.

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.

IFRS to Non-IFRS Reconciliation

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

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	**For the half-year ended 30 September 2021 $'000**	**For the half-year ended 30 September 2020 $'000**	**Change**
Operating loss before net finance expense and tax	(4,500)	(1,763)	155.2%
Add:			
Depreciation and amortisation	2,256	658	242.9%
Amortisation of acquired intangibles	1,092	644	69.6%
EBITDA	(1,152)	(461)	149.9%
EBITDA Margin	-4.9%	-3.1%	-1.8%
Acquisition and integration costs	107	165	-35.2%
Other non-operating costs	-	336	-100.0%
Adjusted EBITDA	(1,045)	40	-2712.5%
Adjusted EBITDA Margin	-4.5%	0.3%	-4.8%

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

The non-IFRS measures have not been independently reviewed.

Straker Translations Limited And Group Condensed Interim Financial Report

FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2021

Financial Report Contents

Independent Auditor's Report

BDO AUCKLAND

INDEPENDENT REVIEW REPORT

TO THE SHAREHOLDERS OF STRAKER TRANSLATIONS LIMITED

Report on the Condensed Interim Consolidated Financial Statements

Conclusion

We have reviewed the accompanying condensed interim consolidated financial statements for the six month period (the "period") of Straker Translations Limited and its subsidiaries (collectively, the "Group"), which comprise the condensed consolidated statement of financial position as at 30 September 2021, and the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the period ended on that date, and a summary of significant accounting policies and other explanatory information.

Based on our review, nothing has come to our attention that causes us to believe that these condensed interim consolidated financial statements of Straker Translations Limited do not present fairly, in all material respects the financial position of the Group as at 30 September 2021, 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*.

Basis of conclusion

We conducted our review in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Condensed Interim Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements. Our firm carries out other assignments for the Group in the areas of taxation advice and corporate finance services. The firm has no other relationship with, or interests in, the Company or any of its subsidiaries.

Directors' Responsibilities for the Condensed Interim Consolidated Financial Statements

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

Auditor's Responsibilities for the Review of the Financial Statements

Our responsibility is to express a conclusion on the condensed interim consolidated financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the condensed interim consolidated financial statements, taken as a whole, are not prepared in all material respects, in accordance with NZ IAS 34 *Interim Financial Reporting*.

A review of the condensed interim consolidated financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, 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) and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on those the condensed interim consolidated financial statements.

The engagement partner on the review resulting in this independent auditor's review report is Richard Croucher.

BDO Auckland

BDO Auckland
Auckland
New Zealand
25 November 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half-year ended 30 September 2021

	Notes	For the half - year ended 30 September 2021 $'000	For the half - year ended 30 September 2020 $'000
Revenue	3	23,325	14,805
Cost of sales		(10,231)	(7,241)
Gross margin		**13,094**	**7,564**
Other income		51	415
		13,145	7,979
Selling and distribution expenses		(7,263)	(4,189)
Administration expenses		(9,183)	(4,744)
Loss from trading operations before amortisation of acquired intangibles, acquisition and integration costs, net finance expense and tax		**(3,301)**	**(954)**
Amortisation of acquired intangibles	4.3	(1,092)	(644)
Acquisition and integration costs		(107)	(165)
Operating loss before net finance expense and tax		**(4,500)**	**(1,763)**
Finance income		385	13
Finance expense		(1,624)	(855)
Net finance expense		**(1,239)**	**(842)**
Loss before income tax		(5,739)	(2,605)
Income tax credit		241	108
Loss for the half-year after tax attributable to shareholders		(5,498)	(2,497)
Other Comprehensive Income			
Items that may be reclassified to profit or loss, net of tax			
Exchange differences on translation of foreign operations		40	537
Total Comprehensive Income for the half-year		**(5,458)**	**(1,960)**
Earnings per share for the period			
Basic and diluted earnings per share (cents)	7	(8.89)	(4.70)

Consolidated Statement of Changes In Equity

for the half-year ended 30 September 2021

	Notes	Share Capital	Accumulated Losses	Share Option Reserve	Foreign Currency Translation Reserve	Total Equity
		$'000	$'000	$'000	$'000	$'000
Group - 30 September 2021						
Balance 1 April 2021		**42,529**	**(22,305)**	**460**	**(623)**	**20,061**
Loss for the half-year		-	(5,498)	-	-	(5,498)
Currency translation differences		-	-	-	40	40
Total comprehensive income for the half-year		**-**	**(5,498)**	**-**	**40**	**(5,458)**
Transactions with owners in their capacity as owners						
Issue of share capital	6	26,969	-	-	-	26,969
Share capital issue expenses	6	(1,138)	-	-	-	(1,138)
Share option cost expensed		**-**	**-**	**158**	**-**	**158**
Balance 30 September 2021		**68,360**	**(27,803)**	**618**	**(583)**	**40,592**

	Notes	Share Capital	Accumulated Losses	Share Option Reserve	Foreign Currency Translation Reserve	Total Equity
Group – 30 September 2020						
Balance 1 April 2020		**40,786**	**(16,289)**	**323**	**(1,355)**	**23,465**
Loss for the half-year		-	(2,497)	-	-	(2,497)
Currency translation differences		-	-	-	537	537
Total comprehensive income for the half-year		**-**	**(2,497)**	**-**	**537**	**(1,960)**
Transactions with owners in their capacity as owners						
Issue of share capital		25	-	-	-	25
Share capital issue expenses		(38)	-	-	-	(38)
Share option cost expensed		**-**	**-**	**57**	**-**	**57**
Balance 30 September 2020		**40,773**	**(18,786)**	**380**	**(818)**	**21,549**

Consolidated Statement of Financial Position

as at 30 September 2021

	Notes	30 September 2021 $'000	31 March 2021 $'000
Current Assets			
Cash and cash equivalents		18,205	7,175
Trade receivables		8,633	5,752
Contract asset		2,510	1,652
Other assets and prepayments		872	1,422
Total Current Assets		**30,220**	**16,001**
Non–current Assets			
Capitalised software development	4.1	3,929	3,198
Purchased computer software	4.2	8,636	9,939
Customer relationship assets	4.3	3,920	4,845
Goodwill	4.4	10,817	10,817
Plant and equipment		348	335
Right-of-use assets		438	653
Total Non–current Assets		**28,088**	**29,787**
Total Assets		**58,308**	**45,788**
Current Liabilities			
Trade payables		2,966	2,971
Sundry creditors and accruals		3,808	2,655
Contract liability		5,594	5,234
Holiday pay liability		931	813
Contingent consideration	5	953	1,435
Lease liabilities		509	629
Loans and borrowings		-	8,400
Total Current Liabilities		**14,761**	**22,137**
Non-current Liabilities			
Contingent consideration	5	1,693	1,899
Lease liabilities		164	334
Deferred tax liability		1,098	1,357
Total Non-current Liabilities		**2,955**	**3,590**
Total Liabilities		**17,716**	**25,727**
NET ASSETS		**40,592**	**20,061**

Consolidated Statement of Financial Position Continued

as at 30 September 2021

	Notes	30 September 2021 $'000	31 March 2021 $'000
Equity			
Share capital		68,360	42,529
Foreign currency translation reserve		(583)	(623)
Share option reserve		618	460
Accumulated losses		(27,803)	(22,305)
TOTAL EQUITY		**40,592**	**20,061**

Approved for and on behalf of the Board of Directors on 25 November 2021

Phil Norman
Chairman

Grant Straker
Chief Executive Officer

Consolidated Statement of Cash Flows

for the half-year ended 30 September 2021

	Notes	For the half- year ended 30 September 2021 $'000	For the half- year ended 30 September 2020 $'000
Cash flows from operating activities			
Receipts from customers		20,260	14,725
Government grants received		-	371
Interest received		2	13
Payments for acquisition and integration costs		(107)	(165)
Payments to suppliers and employees		(23,473)	(15,316)
Net cash used in operating activities		(3,318)	(372)
Cash flows from investing activities			
Payments for capitalised software development	4.1	(1,259)	(630)
Payments for plant and equipment		(96)	(39)
Net cash used in investing activities		(1,355)	(669)
Cash flows from financing activities			
Proceeds from issue of shares	6	26,969	25
Cost of share issue	6	(1,138)	(38)
Borrowing repayments		(8,400)	-
Interest paid		(688)	-
Lease liability payments		(370)	(260)
Payment of contingent consideration	5	(649)	(1,907)
Net cash used in financing activities		15,724	(2,180)
Net increase/(decrease) in cash and cash equivalents		11,051	(3,221)
Effect of exchange rate on foreign currency balances		(21)	(272)
Cash and cash equivalents at start of the period (1 April)		7,175	11,228
Cash and cash equivalents at end of the period		**18,205**	**7,735**

Notes to and forming part of the Condensed Financial Report

for the half-year ended 30 September 2021

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 2021 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 2021 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 Securities 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 2021 were authorised for issue on 25 November 2021 by the Board of Directors.

There is no effect of seasonality or cyclicality 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 2021 annual financial statements.

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except as noted in the accounting policies to the 2021 Annual Report.

b. New standards, interpretations and amendments effective from 1 April 2021

There are no new financial reporting standards that have been applied for the first time in these financial statements.

c. Use of estimates and judgements

The preparation of the financial statements in conformity with NZ IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

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

Management has identified the following balances, transactions and events for which significant judgements, estimates and assumptions are made:

Notes to and forming part of the Condensed Financial Report

for the half-year ended 30 September 2021

1. BASIS OF PREPARATION (CONTINUED)

c. Use of estimates and judgements

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
Accounts receivable	The impairment provision has increased $0.02m in the current year. This is not considered to be attributable to the impact of COVID-19 on counterparties.	
Goodwill	The goodwill balance of $10.817m at 30 September 2021 was subject to annual impairment tests in accordance with NZ IAS 36 Impairment of Assets. No cash generating units have been impaired.	Note 4.4
Customer relationship assets	The customer relationship assets balance of $3.92m at 30 September 2021, being intangible assets with finite useful lives, were assessed for indicators of impairment. No Indicators of impairment were identified. No customer relationships assets have been impaired.	Note 4.3
Contingent consideration liabilities	The Group's contingent consideration liabilities of $2.646m at 30 September 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.	Note 5

Notes to and forming part of the Condensed Financial Report Continued

for the half-year ended 30 September 2021

1. BASIS OF PREPARATION (CONTINUED)

c. Use of estimates and judgements (Continued)

i) COVID-19 pandemic (Continued)

To date the Group has undertaken the following steps to reduce the impact of COVID-19 on its operations:

- Reduced expenditure in non-critical business areas
- Management have reviewed staffing levels and are making cost saving adjustments where necessary
- Travel has been curtailed for the period

Although the Group has been impacted by COVID-19, the directors have concluded that the Group will be able to continue operating for at least 12 months from the date of signing these financial statements. That conclusion has been reached because:

- The Group exceeded its forecast revenue target for the period and has increased forecast revenues for the remainder of the year from existing clients and significant new contracts
- The Group has substantial cash reserves to meet its payment obligations
- Demand for translation services has held up well in most markets despite some decline

Notes to and forming part of the Condensed Financial Report

for the half-year ended 30 September 2021

2. SEGMENT REPORTING

The Group provides translation services to its clients.

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

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

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

Inter-segment sales are minimal.

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

Notes to and forming part of the Condensed Financial Report Continued

for the half-year ended 30 September 2021

Half-year ended 30 September 2021	APAC $'000	EMEA $'000	NAM $'000	TOTAL $'000
Revenue				
Total revenue from external customers	8,223	5,985	9,117	23,325
Other Income	28	23	-	51
Total income	8,251	6,008	9,117	23,376
Cost of sales, Selling and distribution and Administration expenses	(10,306)	(6,123)	(10,248)	(26,677)
Segment contribution	**(2,055)**	**(115)**	**(1,131)**	**(3,301)**

Half-year ended 30 September 2020				
Revenue				
Total revenue from external customers	3,656	7,598	3,551	14,805
Other Income	360	55	-	415
Total Income	4,016	7,653	3,551	15,220
Cost of sales, Selling and distribution and Administration expenses	(4,278)	(8,242)	(3,654)	(16,174)
Segment contribution	**(262)**	**(589)**	**(103)**	**(954)**

Notes to and forming part of the Condensed Financial Report

for the half-year ended 30 September 2021

2. SEGMENT REPORTING (CONTINUED)

	For the half - year ended 30 September 2021 $'000	For the half - year ended 30 September 2020 $'000
Reconciliation from segment contribution to loss before tax		
Segment contribution	(3,301)	(954)
Amortisation of acquired intangibles	(1,092)	(644)
Acquisition and integration costs	(107)	(165)
Net finance (expense)/income	(1,239)	(842)
Loss before income tax	**(5,739)**	**(2,605)**

3. REVENUE

	For the half - year ended 30 September 2021 $'000	For the half - year ended 30 September 2020 $'000
Disaggregation of the Group's revenue from contracts with customers is set out in Note 2 and below:		
Types of goods and services:		
Language services	20,621	14,805
Subscriptions	2,632	-
Professional services	72	-
Revenue from contracts with customers	**23,325**	**14,805**

Language services revenue comprises translation and localisation services recognised over time.

Subscriptions revenue is derived from software platform access and support services contracts with customers recognised evenly over the period of the underlying contracts.

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

Notes to and forming part of the Condensed Financial Report

for the half-year ended 30 September 2021

4.1 CAPITALISED SOFTWARE DEVELOPMENT

	30 September 2021 $'000	31 March 2021 $'000
Cost		
Opening Balance	4,941	3,444
Additions in the period	1,259	1,497
Closing Balance	**6,200**	**4,941**
Amortisation		
Opening Balance	(1,743)	(1,140)
Charge recognised in profit or loss	(528)	(603)
Closing Balance	**(2,271)**	**(1,743)**
Net book value	**3,929**	**3,198**

4.2 COMPUTER SOFTWARE

Cost		
Opening Balance	10,587	320
Acquired as part of a business combination	-	10,349
Impact of foreign exchange rate changes	76	(82)
Closing Balance	10,663	10,587
Amortisation		
Opening Balance	(648)	(192)
Charge recognised in profit or loss	(1,379)	(456)
Closing Balance	(2,027)	(648)
Net book value	**8,636**	**9,939**

Notes to and forming part of the Condensed Financial Report Continued

for the half-year ended 30 September 2021

4.3 CUSTOMER RELATIONSHIP ASSETS

	30 September 2021 $'000	31 March 2021 $'000
Cost		
Opening Balance	8,697	5,673
Acquired as part of current period business combination	-	2,836
Recognised as part of prior period business combination	-	188
Closing Balance	**8,697**	**8,697**
Amortisation		
Opening Balance	(3,852)	(2,304)
Charge recognised in profit or loss	(1,092)	(1,431)
Impact of foreign exchange rates	167	(117)
Closing Balance	**(4,777)**	**(3,852)**
Net book value	**3,920**	**4,845**

4.4 GOODWILL

Cost		
Opening Balance	11,616	8,389
Acquired as part of a business combination	-	3,137
Acquired as part of prior period business combination	-	225
Finalisation of prior period business combination accounting	-	(135)
Closing Balance	11,616	11,616
Accumulated impairment	(799)	(799)
Closing Balance	(799)	(799)
Net book value	**10,817**	**10,817**

Notes to and forming part of the Condensed Financial Report

for the half-year ended 30 September 2021

5. CONTINGENT CONSIDERATION

	30 September 2021	31 March 2021
	$'000	$'000
Due within one year	953	1,435
Due after more than one year	1,693	1,899
Total	2,646	3,334

Lingotek

In relation to the acquisition effective 1 February 2021, 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 (NZD $0.662m) 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 (NZD $ 1.693m) 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.

NZTC

In relation to the acquisition effective 1 February 2020, contingent consideration payments amounting to NZD $0.225m were made during the current period after the successful achievement of revenue targets. A contingent consideration liability of NZD $0.3m is payable upon the successful achievement of revenue and margin targets on 31 March 2022. A discounted liability of NZD $0.291m has been recognised based on forecast revenues.

On-Global

In relation to the acquisition effective 1 June 2019, contingent consideration payments amounting to Euro €0.25m were made during the current period after the successful achievement of revenue targets at 31 May 2021. A bonus contingent consideration of Euro €0.1m, recognised at 31 March 2021, was not achieved and has been derecognised.

Notes to and forming part of the Condensed Financial Report

for the half-year ended 30 September 2021

6. SHARE CAPITAL

	30 September 2021 $'000	31 March 2021 $'000
Ordinary capital		
Balance at beginning of the period	42,529	40,786
Proceeds from issue of ordinary shares during the period	26,969	93
Ordinary shares issued during the period - consideration as part of business combination	-	1,666
Costs of share issue	(1,138)	(16)
Balance at end of the period	68,360	42,529

	30 September 2021 No. of Shares	31 March 2021 No. of Shares
Ordinary shares		
Share capital at the beginning of the period	54,334,855	53,101,360
Ordinary shares issued during the period	13,159,743	244,473
Ordinary shares issued during the period - considering as part of business combination	-	989,022
Balance at end of the period	67,494,598	54,334,855

The company completed equity raising through entitlement offers in June 2021 delivering gross proceeds of AUD $25m. The company has issued 67,494,598 ordinary shares (31 March 2021: 54,334,855) at period 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 and forming part of the Condensed Financial Report

for the half-year ended 30 September 2021

7. EARNINGS PER SHARE

	For the half - year ended 30 September 2021 $'000	For the half - year ended 30 September 2020 $'000

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.

Numerator		
Loss for the half - year after tax ("N")	(5,498)	(2,497)
Denominator	**'000**	**'000**
Weighted average number of ordinary shares used in basic EPS ("D1")	61,840	53,114
	Cents	**Cents**
Basic and diluted earnings per share (N/D1 x 100)	(8.89)	(4.70)

Notes to and forming part of the Condensed Financial Report

for the half-year ended 30 September 2021

8. EVENTS AFTER THE REPORTING PERIOD

COVID-19 continues to cause disruption in countries in which the Group operates but, as outlined in Note 1, the Group anticipates being able to continue to operate for at least 12 months from the date of signing these financial statements. There were no other reported significant events after balance sheet date as at 30 September 2021.

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.

Details of the contingent consideration liability have been provided in Note 5.

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

Level 3

	Notes	30 September 2021	31 March 2020
		$'000	$'000
Financial Liabilities			
Contingent consideration		2,646	3,334

Quantitative information on significant unobservable inputs – Level 3

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

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

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

Sensitivity analysis to significant changes in unobservable inputs – Level 3

A -10% change in the forecast revenue input has a -$2.529m reducing effect on the fair value of the contingent consideration liability.

A +10% change in the forecast revenue has a $1.577m addition effect on the fair value of the contingent consideration liability.

Company Directory

Company Numbers	New Zealand 1008867 Australia 628 707 399
Australian Registered Body Number	628 707 399
Registered offices	*New Zealand (Head office)* Level 2 49 Parkway Drive Rosedale, Auckland 0632 *Australia* C/o Boardroom Pty Limited Level 12 225 George Street Sydney, NSW 2000
Principal place of business	Auckland, New Zealand
Directors	Phil Norman (Chair) Grant Straker (Managing Director and Chief Executive Officer) Amanda Cribb Steve Donovan Tim Williams Paul Wilson
Independent 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

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