

**STRAKER TRANSLATIONS LIMITED AND GROUP
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

**STRAKER TRANSLATIONS LIMITED AND GROUP
TABLE OF CONTENTS
FOR THE YEAR ENDED 31 MARCH 2019**

Directors' Responsibility Statement	3
Independent Auditor's Report	4 - 7
Consolidated Statement of Profit or Loss and Other Comprehensive Income	8
Consolidated Statement of Changes in Equity	9
Consolidated Statement of Financial Position	10
Consolidated Statement of Cash Flows	11
Notes to and forming part of the financial statements	12 - 45
Company Directory	46
New Zealand Statutory Information	47

**STRAKER TRANSLATIONS LIMITED AND GROUP
DIRECTORS' RESPONSIBILITY STATEMENT
FOR THE YEAR ENDED 31 MARCH 2019**

The Directors are pleased to present the consolidated financial statements of Straker Translations Limited for the year ended 31 March 2019.

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of the Straker Translations Limited Group as at 31 March 2019 and the results of their operations and cash flows for the year ended 31 March 2019.

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

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

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

Approved for and on behalf of the Board of Directors on 27 May 2019.



Director



Director

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Straker Translations Limited ("the Company") and its subsidiaries (together, "the Group"), which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS").

Basis for Opinion

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

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

Key Audit Matters

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

Business combinations completed in the current period

The acquisitions of Eule Lokalisierung GmbH ("Eule"), Management System Solutions SL ("MSS") and ComTranslations Online SL ("Com") businesses have occurred in the year.

Management has determined each acquisition represents a business combination. As a result, Management has applied NZ IFRS 3 *Business Combinations*.

This assessment requires a significant level of judgement to identify and determine the fair value of assets and liabilities acquired, and to determine the fair value of contingent consideration.

Business combinations completed in the current period (continued)

Intangibles acquired as part of a business combination

Key Audit Matter

The Group is required to recognise at fair value any separately identifiable intangible assets acquired through a business combination.

As a result of the acquisitions of Eule and MSS, the Group has recognised customer relationship intangible assets in the year of \$1,535,000; at the reporting date, the acquisition accounting for Com remained provisional.

There is a significant level of judgement required to determine the fair value of such intangible assets.

Refer to note 11 (intangible assets) and note 25 (business combinations) of the consolidated financial statements.

How The Matter Was Addressed in Our Audit

- We obtained Management's assessment of identifiable intangible assets acquired in the acquisitions.
- We reviewed their assessment against our expectations of likely intangible assets, based on our review of the sale and purchase agreements and our understanding of similar acquisitions.
- We obtained Management's fair value calculation for intangibles acquired in the business combinations, prepared in conjunction with an external valuation expert.
- We assessed the competence and independence of Management's external valuation expert, and challenged the expert as to the scope, methodology, findings and conclusions of their work.
- We reviewed the key financial inputs to the fair value calculations to supporting documentation, including the existence of any contractual arrangements, historical financial data, cash flow forecasts and our understanding of the businesses.
- We engaged our internal valuation experts to review the valuation methodology used and the discount rate used.
- We reviewed the consolidated financial statement disclosures against the accounting standards.

Contingent acquisition consideration

Key Audit Matter

As part of the consideration for the acquisitions, Management has recognised \$2,186,000 of contingent consideration liabilities on the Eule, MSS and Com acquisitions at 31 March 2019.

The liabilities are contingent on the future revenue performance of the acquired entities over a period of two years.

As recognition is dependent on forecast revenue levels when compared to the prescribed revenue targets, the liabilities are subject to significant judgement and estimation uncertainty around the assumptions and inputs to Management's forecast calculations.

The Group has recognised a gain on fair value of contingent consideration liability of \$276,000 to profit or loss in the year as a result of earn out targets no longer being forecast to be met in relation to the Eule acquisition that occurred in the year.

Refer to note 16 (contingent consideration liability), note 21 (financial risk management) and note 25 (business combinations) of the consolidated financial statements.

How The Matter Was Addressed in Our Audit

- We reviewed sale and purchase agreements to identify the contingent consideration clauses and relevant earn out targets.
- As the earn out clauses are based on achieving revenue targets for two years from the date of acquisition, we have performed the following procedures:
 - Compared actual revenue performance since acquisition to the earn out target.
 - Compared future forecast revenue to Management-prepared budgets.
 - Challenged Management's assumptions and inputs to the budgets, focussing on revenue by customer and historical financial information (including prior to acquisition).
- We re-performed Management's contingent consideration liability calculation based on actual and forecast revenue to the prescribed earn out target.
- We re-calculated the gain on fair value of contingent consideration liability of \$276,000 in relation to the Eule acquisition that occurred in the year. We reviewed Management's assertion that the factors that have led to their judgement that the achievement of the original forecast was not probable were not facts and circumstances that existed at acquisition date.

Contingent acquisition consideration (continued)

- We reviewed the consolidated financial statement disclosures against the accounting standards, including the fair value hierarchy of financial instruments measured at fair value. This includes sensitivity analysis for significant changes in forecast revenue inputs and its effect on the fair value of the contingent consideration liability.

Goodwill impairment

Key Audit Matter

The Group has recognised goodwill on historical acquisitions, as well as for Eule, MSS and Com, which were acquired in the year.

The goodwill balance of \$6,030,000 is subject to an annual impairment test in accordance with NZ IAS 36 *Impairment of Assets*.

Management performed their impairment test by considering the recoverable amount of the Group's goodwill using a value in use calculation. This calculation is complex and subject to key inputs and assumptions, such as discount rates and future cash flows, which inherently include a degree of estimation uncertainty.

Refer to note 11 (intangible assets) of the consolidated financial statements.

How The Matter Was Addressed in Our Audit

- We have obtained Management's value in use calculations prepared for each of the cash generating units and evaluated the key inputs and assumptions. The key inputs included revenue, growth rates, gross margin, and discount rate.
 - We have engaged our internal valuation experts to review the mechanics of the value in use calculation against the valuation methodology, and the discount rate used.
 - We have compared the carrying value of the CGUs' assets to the recoverable amount determined by the impairment test to identify any impairment losses.
 - We have reviewed disclosures in the consolidated financial statements, including sensitivity analysis, to the requirements of the accounting standard.
-

Other Information

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

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

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

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

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

Directors' Responsibilities for the Consolidated Financial Statements

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

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

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

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

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

This description forms part of our auditor's report.

Who we Report to

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

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



BDO Auckland
Auckland
New Zealand
27 May 2019

STRAKER TRANSLATIONS LIMITED AND GROUP
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 \$'000	2018 \$'000
Revenue	4	24,594	17,027
Cost of sales (translator contractor costs)		(11,169)	(7,736)
Gross margin		13,425	9,291
Other income		81	4
		13,506	9,295
Selling and distribution expenses		(8,309)	(6,923)
Administration expenses		(5,987)	(4,340)
Loss from trading operations before amortisation of acquired intangibles, acquisition of subsidiaries costs, and IPO related costs		(790)	(1,968)
Amortisation of acquired intangibles	11	(682)	(376)
Acquisition of subsidiaries costs	25	(593)	(195)
IPO related costs		(1,953)	-
Operating loss before net finance income	5	(4,018)	(2,539)
Finance income		716	1,133
Finance expense		(1,182)	(218)
Net finance (expense)/income	6	(466)	915
Loss before income tax		(4,484)	(1,624)
Income tax credit	7	155	100
Loss for the year after tax		(4,329)	(1,524)
Other Comprehensive Income			
<i>Items that may be reclassified to profit or loss, net of tax</i>			
Foreign currency translation differences		(147)	(71)
Total Comprehensive Income for the year		(4,476)	(1,595)
Earnings per share for the period attributable to the owners of the parent			
Basic earnings per share (cents)	8	(10.95)	(59.43)
Diluted earnings per share (cents)	8	(7.87)	(37.05)

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

STRAKER TRANSLATIONS LIMITED AND GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	Share Capital	Accumulated Losses	Share Option Reserve	Foreign Currency Translation Reserve	Total Equity
		\$'000	\$'000	\$'000	\$'000	\$'000
Group - 31 March 2019						
Balance 1 April 2018		21,402	(9,438)	121	(30)	12,055
Loss for the year		-	(4,329)	-	-	(4,329)
Currency translation differences		-	-	-	(147)	(147)
Total comprehensive income for the year		-	(4,329)	-	(147)	(4,476)
<i>Transactions with owners in their capacity as owners</i>						
Issue of share capital	17	20,263	-	-	-	20,263
Cost of issue of share capital	17	(1,542)	-	-	-	(1,542)
Share option cost expensed		-	-	111	-	111
Balance 31 March 2019		40,123	(13,767)	232	(177)	26,411
Group - 31 March 2018						
Balance 1 April 2017		13,705	(7,914)	60	41	5,892
Loss for the year		-	(1,524)	-	-	(1,524)
Currency translation differences		-	-	-	(71)	(71)
Total comprehensive income for the year		-	(1,524)	-	(71)	(1,595)
<i>Transactions with owners in their capacity as owners</i>						
Issue of share capital	17	10,779	-	-	-	10,779
Redemption of share capital	17	(3,082)	-	-	-	(3,082)
Share option cost expensed		-	-	61	-	61
Balance 31 March 2018		21,402	(9,438)	121	(30)	12,055

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

STRAKER TRANSLATIONS LIMITED AND GROUP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Notes	2019 \$'000	2018 \$'000
Current Assets			
Cash and cash equivalents		17,669	7,824
Trade receivables	9	3,908	1,994
Other assets and prepayments	10	1,360	1,216
Total Current Assets		22,937	11,034
Non-current Assets			
Intangible assets	11	10,254	5,120
Plant and equipment	12	214	110
Total Non-current Assets		10,468	5,230
Total Assets		33,405	16,264
Current Liabilities			
Trade payables	13	718	511
Sundry creditors and accruals	14	2,847	1,801
Employee provisions	15	363	223
Contingent consideration	16	1,039	481
Deferred consideration	16	230	287
Total Current Liabilities		5,197	3,303
Non-current Liabilities			
Deferred tax liability	7	683	444
Contingent consideration	16	1,114	462
Total Non-current Liabilities		1,797	906
Total Liabilities		6,994	4,209
NET ASSETS		26,411	12,055
Equity			
Share capital	17	40,123	21,402
Foreign currency translation reserve		(177)	(30)
Share option reserve	23	232	121
Accumulated losses		(13,767)	(9,438)
TOTAL EQUITY		26,411	12,055

Approved for and on behalf of the Board of Directors on 27 May 2019



Director



Director

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

**STRAKER TRANSLATIONS LIMITED AND GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019**

	Notes	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Receipts from customers		23,900	17,068
Interest received		104	31
Payments to suppliers and employees		(25,069)	(18,337)
Net cash used in operating activities	26	<u>(1,065)</u>	<u>(1,238)</u>
Cash flows from investing activities			
Payments for capitalised software development		(740)	(627)
Payments for plant & equipment		(99)	(52)
Payments for acquisition of subsidiaries		(2,748)	(195)
Net cash used in investing activities		<u>(3,587)</u>	<u>(874)</u>
Cash flows from financing activities			
Proceeds from issue of shares		20,074	11,272
Ordinary shares redeemed		-	(3,082)
Cost of share issue		(1,402)	(492)
IPO related costs		(1,844)	(44)
Repayment of deferred and contingent consideration	16	(1,151)	(1,001)
Repayment of acquired entity's term debt	25	(408)	-
Net cash from financing activities		<u>15,269</u>	<u>6,653</u>
Net increase in cash and cash equivalents		10,617	4,541
Effect of exchange rate on foreign currency balances		(772)	(192)
Cash and cash equivalents at beginning of the year		7,824	3,475
Cash and cash equivalents at end of the year		<u>17,669</u>	<u>7,824</u>

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

STRAKER TRANSLATIONS LIMITED AND GROUP

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

1. REPORTING ENTITY AND STATUTORY BASE

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

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

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

2. BASIS OF PREPARATION

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

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

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

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

a) Basis of measurement

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

b) Change of accounting policies

New standards, interpretations and amendments effective from 1 April 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 Group 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 impact of the new standard on the Group's process of recognising revenue was confirmed.

The steps considered in the analysis of the impact of NZ 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 FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

2. BASIS OF PREPARATION (CONTINUED)

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. 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.

Management 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 new clauses and are satisfied that the new termination clause meets the standards required to continue to recognise revenue under NZ IFRS 15 as it has previously.

Accordingly, there has been no adjustment to the profile of revenue recognition by the Group and there is no cumulative impact adjustment in retained earnings required to be recognised on adoption of the standard. There is also no requirement to restate comparative information.

The Group has applied the full retrospective method.

- NZ IFRS 9 Financial Instruments ("NZ IFRS 9") has replaced NZ IAS 39 Financial Instruments: Recognition and Measurement (NZ IAS 39). The new standard addresses:
 - (i) The classification, measurement and de-recognition of financial assets and financial liabilities;
 - (ii) Impairment of financial assets; and
 - (iii) Hedge accounting.

Financial assets such as trade and other receivables, cash and cash equivalents have previously been classified as 'Loans and Receivables' under NZ IAS 39. These financial assets have now been classified as 'Amortised Cost' under NZ IFRS 9 with nil effect of change on the financial statements. Financial liabilities such as trade and other payables continue to be classified as 'Amortised Cost' under NZ IFRS 9 as it was previously classified under NZ IAS 39.

Based on the nature of the Company's financial asset and liability balances and non-application of hedge accounting, there has not been any impact to the financial statements upon transition.

The Group has applied the full retrospective method.

New standards, interpretations and amendments not yet effective

- NZ IFRS 16 Leases - the new standard will result in almost all leases being recognised on the balance sheet for lessees. Under the new standard, an asset (the right to use the lease item) and a financial liability to pay rentals are recognised. The only exemptions are short-term and low-value leases. The standard will affect the accounting for the Group's operating leases. As at the reporting date, the Group has operating lease commitments of \$546,340 (2018: \$346,000).

Instead of recognising an operating expense for its operating lease payments, the Group will instead recognise interest on its lease liabilities and amortisation on its right-of-use assets. This will increase reported EBITDA by the amount of its current operating lease cost, which was \$517,000 for the year (2018: \$335,000).

Management is yet to determine the full impact of the standard on the recognition of an asset and a liability for future payments.

STRAKER TRANSLATIONS LIMITED AND GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

2. BASIS OF PREPARATION (CONTINUED)

c. Use of estimates and judgements

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

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

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

i) *Business combinations completed in the current period (note 25) and contingent consideration liabilities (note 16)*

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

ii) *Goodwill (note 11)*

The Directors have used judgement in determining there is no impairment associated with goodwill by using a value-in-use calculation.

iii) *Capitalised software development (note 11)*

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

iv) *Revenue (note 4) and Contract asset (note 10) and Contract liability (note 14) recognition*

Translation income invoices for services not yet performed are deferred as a contract liability on the Statement of Financial Position until the percentage of completion of services is sufficient to ensure it is probable that economic benefits will flow to the Group.

Translation income determined to be earned but not yet invoiced is accrued as a contract asset and recorded under current assets on the Statement of Financial Position when it is probable that economic benefits will flow to the Group.

Translator costs related to each project are accrued as a current liability.

3. SEGMENT REPORTING

The Group provides translation services to its customers.

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

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.

STRAKER TRANSLATIONS LIMITED AND GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

3. SEGMENT REPORTING (CONTINUED)

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

Inter-segment sales are minimal.

Reports provided to the chief operating decision maker do not identify assets and liabilities per segment. Assets and liabilities are instead presented on a consolidated basis as they are throughout the consolidated financial statements. Also, the Group's financing (including finance costs and finance income), amortisation of intangible assets, acquisition of subsidiaries costs, IPO related 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.

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

Year ended 31 March 2018

<i>Revenue</i>				
Total revenue from external customers	3,194	5,406	8,427	17,027
Other income, Cost of sales, Selling and distribution and Administration expenses	(3,288)	(6,624)	(9,083)	(18,995)
Segment contribution	(94)	(1,218)	(656)	(1,968)

	2019	2018
	\$'000	\$'000
Reconciliation from segment contribution to loss before tax		
Segment contribution	(790)	(1,968)
Amortisation of acquired intangibles	(682)	(376)
Acquisition of subsidiaries costs	(593)	(195)
IPO related costs	(1,953)	-
Net finance (expense)/income	(466)	915
Loss before income tax	(4,484)	(1,624)

STRAKER TRANSLATIONS LIMITED AND GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 \$'000	2018 \$'000
4. REVENUE			
Set out below is the disaggregation of the Group's revenue from contracts with customers:			
Types of goods and services:			
Translation services		24,594	17,027
The Group's revenue is derived from translation services. The timing of the Group's recognition is translation services transferred over time.			
Translation income invoices for services not yet performed are deferred as a contract liability on the Statement of Financial Position until the percentage of completion of services is sufficient to ensure it is probable that economic benefits will flow to the Group.			
Translation income determined to be earned but not yet invoiced is accrued as a contract asset and recorded under current assets on the Statement of Financial Position when it is probable that economic benefits will flow to the Group.			
5. OPERATING LOSS BEFORE NET FINANCE (EXPENSE)/INCOME			
The following items of expenditure are included in operating loss before net finance (expense)/income:			
Selling and Distribution expenses			
Advertising and marketing		8,309	6,923
Administrative expenses			
Remuneration to parent auditor:			
- fee relating to audit of the financial statements		64	32
- fee relating to other assurance engagement (review of condensed interim financial statements)		35	-
- taxation services - compliance		19	14
- professional advisor in relation to the IPO process		295	-
- corporate finance services		160	-
Other non-Group auditor's remuneration for audit of subsidiary entity		17	11
Amortisation of capitalised software development	11	333	208
Amortisation of computer software	11	48	26
Depreciation	12	77	70
Bad debts written off		-	22
Impairment provision recognised on receivables at amortised cost	9	50	13
Rent		517	335
Salaries and wages		2,323	1,352
Kiwisaver contributions		105	74
Share option expenses		111	61

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

STRAKER TRANSLATIONS LIMITED AND GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 \$'000	2018 \$'000
6. NET FINANCE INCOME AND EXPENSE			
Finance income			
Interest received on receivables at amortised cost		104	31
Foreign exchange gain		189	23
Gain on fair value adjustment to contingent consideration liability	16	423	1,079
Total finance income		<u>716</u>	<u>1,133</u>
Finance expense			
Interest expense on liabilities stated at amortised cost		(3)	(3)
Foreign exchange loss		(1,063)	(121)
Impairment		(9)	-
Imputed interest on deferred consideration liability	16	(107)	(94)
		<u>(1,182)</u>	<u>(218)</u>
Net finance (expense)/income		<u>(466)</u>	<u>915</u>

Interest income and expense

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

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

Foreign currency translation gains and losses

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

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

STRAKER TRANSLATIONS LIMITED AND GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

Notes	2019 \$'000	2018 \$'000
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7. INCOME TAX EXPENSE

a) Income tax recognised in profit or loss

Current tax expense	(37)	(31)
Deferred tax credit	192	131
Total tax credit	155	100

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

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

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

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

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

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

	2019 \$'000	2018 \$'000
The total charge for the period can be reconciled to the accounting profit as follows:		
Loss before tax	(4,484)	(1,624)
Income tax expense calculated at 28% (2018: 28%)	(1,256)	(455)
Different tax rates applied in overseas jurisdictions	37	116
Tax losses not recognised	1,374	439
Income tax credit/(expense) recognised in profit or loss	155	100

STRAKER TRANSLATIONS LIMITED AND GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

7. INCOME TAX EXPENSE (CONTINUED)

b) Deferred tax liability

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (2018: 28%).

	2019 \$'000	2018 \$'000
Deferred tax		
Deferred tax liabilities arising on business combinations	875	575
Reversal of temporary differences	(192)	(131)
At 31 March	<u>683</u>	<u>444</u>
Recognised deferred tax liabilities		
Intangible assets - arising on business combinations	(683)	(444)
At 31 March	<u>(683)</u>	<u>(444)</u>

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

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

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

The value of deferred tax asset not recognised as at 31 March 2019 was \$2,314,074 (2018: \$940,074). The deferred tax asset not recognised is comprised of the effect of the tax benefit of operating losses.

c) Losses brought forward

At 31 March 2019 the Group had accumulated tax losses to carry forward for tax purposes of \$4,710,735 (2018: \$3,357,408).

STRAKER TRANSLATIONS LIMITED AND GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

8. EARNINGS PER SHARE

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

	2019 \$'000	2018 \$'000
<i>Numerator</i>		
Loss for the year after tax ("N")	(4,329)	(1,524)
<i>Denominator</i>	'000	'000
Weighted average number of ordinary shares used in basic EPS ("D1")	34,882	2,565
Period end number of ordinary shares	42,181	2,905
Effects of:		
Employee share options	2,436	84
Preference shares	10,417	1,124
Period end number of shares used in diluted EPS ("D2")	55,034	4,113
	Cents	Cents
Basic earnings per share (N/D1 x 100)	(10.95)	(59.42)
Diluted earnings per share (N/D2 x 100)	(7.87)	(37.05)
	2019 \$'000	2018 \$'000

9. TRADE RECEIVABLES

Gross trade receivables	3,986	2,022
Impairment allowance	(78)	(28)
Trade receivables	3,908	1,994
Opening balance of impairment provision	28	15
Additional expense	50	23
Reversal of previously recognised impairment	-	(10)
	78	28

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

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

STRAKER TRANSLATIONS LIMITED AND GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 \$000	2018 \$000
10. OTHER ASSETS AND PREPAYMENTS			
Contract asset		866	588
Deferred IPO related costs		-	290
Deposit		131	111
Prepayments		309	194
Tax receivables		54	33
		<u>1,360</u>	<u>1,216</u>
11. INTANGIBLE ASSETS			
CAPITALISED SOFTWARE DEVELOPMENT			
Cost			
Opening Balance		1,521	895
Additions in the year		740	626
Impairment		(9)	-
Closing Balance		<u>2,252</u>	<u>1,521</u>
Amortisation			
Opening Balance		(290)	(82)
Charge recognised in statement of comprehensive income		(333)	(208)
Closing Balance		<u>(623)</u>	<u>(290)</u>
Net book value		<u>1,629</u>	<u>1,231</u>

Research costs are expensed as incurred. Costs associated with maintaining computer software programs are also recognised as an expense as incurred.

Costs that are directly associated with the production of identifiable and unique software controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as capitalised software development intangible assets where the following criteria are met:

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

Other development expenditures that do not meet these criteria are expensed when incurred. Development costs previously recognised as expenses are not recognised as assets in a subsequent period.

Development costs that have a finite useful life that have been capitalised, but not yet available for use, are not amortised but tested for impairment each year. When the asset has been completed it is referred to as a capitalised software development intangible asset, carried at cost, amortised over its useful life on a straight line basis over five years, and is assessed annually for indicators of impairment (with an impairment test taken if indicators are found).

STRAKER TRANSLATIONS LIMITED AND GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

11. INTANGIBLE ASSETS (CONTINUED)

CAPITALISED SOFTWARE DEVELOPMENT (CONTINUED)

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

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

Additions in the year include salaries and wages of \$652,735 (2018: \$626,420).

	Notes	2019 \$'000	2018 \$'000
COMPUTER SOFTWARE			
Cost			
Opening Balance		162	162
Acquired as part of a business combination (Refer to note 25)		108	-
Additions in the year		11	-
Closing Balance		<u>281</u>	<u>162</u>
Amortisation			
Opening Balance		(76)	(49)
Charge recognised in statement of comprehensive income		(48)	(27)
Closing Balance		<u>(124)</u>	<u>(76)</u>
Net book value		<u>157</u>	<u>86</u>

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

STRAKER TRANSLATIONS LIMITED AND GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 \$	2018 \$
11. INTANGIBLE ASSETS (CONTINUED)			
Assets arising as a result of acquisitions			
Goodwill and customer relationship assets (CRA) were recognised as a result of the acquisition of three subsidiaries (refer note 25) as follows:			
CUSTOMER RELATIONSHIP INTANGIBLE ASSETS			
Cost			
Opening Balance		2,052	2,052
Acquired as part of a business combination (Refer to note 25)		1,535	-
Closing Balance		3,587	2,052
Amortisation			
Opening Balance		(467)	(92)
Charge recognised in statement of comprehensive income		(682)	(375)
Closing Balance		(1,149)	(467)
Net book value		2,438	1,585

GOODWILL

Cost			
Opening Balance		2,218	2,218
Acquired as part of a business combination (Refer to note 25)		3,812	-
Closing Balance		6,030	2,218
Impairment			
Closing Balance		-	-
Net book value		6,030	2,218

Net book value	Capitalised Software Development	Computer Software	Customer Relationship Asset	Goodwill	Total
At 31 March 2019	1,629	157	2,438	6,030	10,254
At 31 March 2018	1,231	86	1,585	2,218	5,120

Intangibles acquired in a business combination

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

STRAKER TRANSLATIONS LIMITED AND GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

11. INTANGIBLE ASSETS (CONTINUED)

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

Customer relationships

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

Following initial recognition, customer relationship intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

In the current year, management commissioned an independent valuation of the acquired companies' customer relationships in relation to the business combinations where the business combination accounting has been finalised. The acquired companies are Eule Lokalisierung GmbH ("Eule") and Management System Solutions SL ("MSS").

The fair value standards have been applied in accordance with NZ IFRS 3 and NZ IFRS 13. The fair value at the date of acquisition is determined by an estimated discounted cash flow valuation using the multi-period excess earnings technique.

Key assumptions and inputs are as follows:

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

	MSS	Eule
Annual customer growth rates	1%	2%
Gross margin	55% - 56%	53%
Earnings before interest, tax, depreciation and amortisation rate	15%	15%
Discount rate %	8.8%	8.1%
Customer relationship useful economic life	4 years	4 years

Goodwill

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

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

Direct costs of acquisition are recognised immediately as an expense.

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

STRAKER TRANSLATIONS LIMITED AND GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

11. INTANGIBLE ASSETS (CONTINUED)

Intangible asset impairment

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

Customer relationship intangible assets are amortised over 4-6 years on a straight line basis.

Goodwill impairment

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

	Eurotext \$'000	Elanex \$'000	MSS \$'000	Eule \$'000	Com \$'000	Total \$'000
31 March 2019	449	1,769	1,797	930	1,085	6,030
31 March 2018	449	1,769	-	-	-	2,218

The Group has allocated goodwill to each of its acquired subsidiaries, as the smallest identifiable asset or group of assets that each generate cash inflows that are largely independent of the cash inflows from other assets and subsidiaries in the Group. The CGUs have been defined in note 18.

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

The recoverable amount of all CGUs have been determined based on value-in-use calculations, with the exception of Com, which has been derived from its fair value less cost to sell based on its recent transaction price. These calculations use pre-tax cash flow projections based on 2020 financial budgets approved by the Board, projected over a five-year period. Cash flows beyond the five-year period are extrapolated using the terminal growth rates stated below.

The key assumptions and inputs to the value in use calculations are as follows. All values are NZD'000.

	Eurotext	Elanex	MSS	Eule
Annual revenue growth rates	-1 - 4%	-3%	3% - 9%	-2% - 5%
Gross margin rate	47% - 53%	46%	55% - 57%	55% - 56%
Discount rate %	14.40%	14.40%	14.40%	14.40%
Terminal growth rate	2.50%	2.84%	0.98%	0.32%

Gross margin is expected to increase over time from the level experienced in FY2019 to the amounts above, which are closer to the Group's norms and are based on historic margins achieved.

Based on the value in use calculations, there is no impairment of goodwill. If any one of the following reasonably possible changes were made to the above key assumptions for the Elanex CGU, the carrying value and recoverable amount would be equal.

STRAKER TRANSLATIONS LIMITED AND GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

11. INTANGIBLE ASSETS (CONTINUED)

Elanex

Decrease in revenue (\$US 000)	311
Gross margin rate	42.8%
Discount rate	16%

12. PLANT AND EQUIPMENT

	Motor Vehicles \$'000	Furniture and Fittings \$'000	Leasehold Equipment \$'000	Computer Equipment \$'000	Total \$'000
2019					
Cost					
Balance at 1 April 2018	-	60	19	297	376
From acquisitions (note 25)	48	6	-	44	98
Additions	-	12	4	68	84
Disposals	-	-	-	(4)	(4)
Balance at 31 March 2019	48	78	23	405	554
Accumulated Depreciation					
Balance at 1 April 2018	-	32	4	230	266
Depreciation charge for the year	7	12	2	56	77
Disposals	-	-	-	(3)	(3)
Balance at 31 March 2019	7	44	6	283	340
	Motor Vehicles \$'000	Furniture and Fittings \$'000	Leasehold Equipment \$'000	Computer Equipment \$'000	Total \$'000
2018					
Cost					
Balance at 1 April 2017	-	59	19	246	324
Additions	-	1	-	51	52
Disposals	-	-	-	-	-
Balance at 31 March 2018	-	60	19	297	376
Accumulated Depreciation					
Balance at 1 April 2017	-	23	-	173	196
Depreciation charge for the year	-	9	4	57	70
Balance at 31 March 2018	-	32	4	230	266
Net book value					
At 31 March 2019	41	34	17	122	214
At 31 March 2018	-	28	15	67	110
At 31 March 2017	-	36	19	73	128

STRAKER TRANSLATIONS LIMITED AND GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

12. PLANT AND EQUIPMENT (CONTINUED)

Owned assets

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

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

Subsequent costs

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

Depreciation

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

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

The following depreciation rates are used in both years:

- | | |
|--------------------------|------------------------|
| ▪ Computer equipment | 25% -50% Straight Line |
| ▪ Furniture and fittings | 25% -50% Straight Line |
| ▪ Leasehold equipment | 8% -10% Straight Line |

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

Leased Assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantively all of the risks and rewards incidental to ownership are not transferred to the Group (an 'operating lease'), the total rentals payable under the lease are charged to profit or loss on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

STRAKER TRANSLATIONS LIMITED AND GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 \$'000	2018 \$'000
13. TRADE PAYABLES			
Trade payables		718	511

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

14. SUNDRY CREDITORS AND ACCRUALS

Accruals		809	449
Translator costs accrual		1,686	989
Goods and services tax		207	125
Contract liability		145	238
		<u>2,847</u>	<u>1,801</u>

15. EMPLOYEE PROVISIONS

Provision for holiday pay		363	223
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16. CONTINGENT CONSIDERATION AND DEFERRED CONSIDERATION LIABILITIES

	Notes	2019 \$'000	2018 \$'000
Due within one year			
Contingent consideration		1,039	481
Deferred consideration ¹		230	287
Due after more than one year			
Contingent consideration		1,114	462
Total		<u>2,383</u>	<u>1,230</u>
Movement during the year			
Opening balance		1,230	3,216
On acquisition ²		2,620	-
Paid in year ³		(1,151)	(1,001)
Gain on fair value of contingent consideration ⁴		(423)	(1,079)
Unwinding of imputed interest on deferred consideration		107	94
Closing balance		<u>2,383</u>	<u>1,230</u>

STRAKER TRANSLATIONS LIMITED AND GROUP

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

16. CONTINGENT CONSIDERATION AND DEFERRED CONSIDERATION LIABILITIES (CONTINUED)

¹ The Group previously reported the acquisition of Elanex Translations Inc. ("Elanex") in the period ended 31 March 2017. In relation to the acquisition of Elanex, deferred consideration in the form of a promissory note amounting to \$230,000 (USD 150,000) remains at 31 March 2019, and is payable on 1 December 2019.

² Note 25 details the business combinations completed in the current period for MSS, Eule and Com.

MSS

In relation to the acquisition of MSS, a total earn out liability of EUR 372k is payable upon the successful achievement of revenue targets on 1 June 2019. A further earn out liability of EUR 348k is payable upon the expected successful achievement of revenue targets on 1 June 2020. A contingent consideration liability of EUR 720k has been recognised based on the successful achievement of revenue targets. The calculation is based on; the potential revenue forecast for the year to 31 May 2019 and 31 May 2020, is payable in EUR and has been discounted based on the Group's incremental borrowing rate and the number of years remaining under the earn out period.

Eule

In relation to the acquisition of Eule, a total earn out liability of EUR 257k is payable upon the successful achievement of revenue targets on 1 July 2019. A further earn out liability of EUR 257k is payable upon the expected successful achievement of revenue targets on 1 July 2020. A contingent consideration liability of EUR 514k was recognised at 30 September 2018. The calculation was based on the potential revenue forecast for the year to 30 June 2019 and 30 June 2020, is payable in EUR and has been discounted based on the Group's incremental borrowing rate and the number of years remaining under the earn out period.

Since this date, actual revenue performance and forecast revenue to 30 June 2019 indicates that the full revenue earnout target may not be met. The contingent consideration liability has been fair valued at the year end to EUR 344k, with a gain on fair value of EUR 170k (\$276,000) being recognised in profit or loss.

The Group has an unrecognised contingent liability of an additional EUR170k should Eule achieves its full revenue targets and the earn out becomes payable.

Refer to note 21 for sensitivity analysis to significant unobservable inputs to the earn out calculation (including forecast revenue) for the Eule contingent consideration liability.

Com

In relation to the acquisition of Com, a total earn out liability of EUR 300k is payable upon the successful achievement of revenue targets on 31 March 2020. A further earn out liability of EUR 182k is payable upon the expected successful achievement of revenue targets on 31 March 2021. A contingent consideration liability of EUR 176k and 89k, respectively, has been recognised based on the expected achievement of revenue targets. The calculation is based on the revenue forecast for the year to 31 March 2020 and to 31 March 2021, 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 Group has an unrecognised contingent liability of an additional EUR217k should Com achieve its full revenue targets and the earn out becomes payable.

³ During the 2019 financial year the Group paid out \$1,151,000 of consideration liabilities.

⁴ Gain on fair value adjustment to contingent consideration liability of \$423,000 has been released to profit and loss in the year. This includes the fair value Eule contingent consideration of \$276,000 (explained above), as well as \$147,000 relating to Elanex actual revenue being less than earn out targets at the end of the earn out period.

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

STRAKER TRANSLATIONS LIMITED AND GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

17. SHARE CAPITAL

	2019	2018
	\$000	\$000
Ordinary capital		
Balance at beginning of the year	10,895	3,197
Proceeds from issue of ordinary shares during the year	20,091	11,272
Ordinary shares issued during the year - consideration as part of business combination	172	-
Converted redeemable preference capital	10,507	-
Repayment of proceeds to existing shareholders	-	(3,082)
Costs of share issue	(1,542)	(492)
Balance at end of the year	<u>40,123</u>	<u>10,895</u>
Redeemable preference capital		
Balance at beginning of the year	10,507	10,507
Converted to ordinary shares during the year	(10,507)	-
Balance at end of the year	<u>-</u>	<u>10,507</u>
Total Share Capital	<u>40,123</u>	<u>21,402</u>

	2019	2018
	No. of	No. of
	Shares	Shares
Ordinary shares		
Share capital at the beginning of the year	2,905,399	2,366,255
Converted redeemable preference capital	1,123,995	-
	<u>4,029,394</u>	<u>2,366,255</u>
Share split of 10:1	36,264,546	-
Ordinary shares issued during the year	12,191,170	742,060
Ordinary shares issued during the year - consideration as part of business combination	113,500	-
Ordinary shares redeemed during the year	-	(202,916)
Balance at end of the year	<u>52,598,610</u>	<u>2,905,399</u>
Preference shares		
Numbers of Shares at the beginning of the year	1,123,995	1,123,995
Converted to ordinary shares during the year	(1,123,995)	-
Balance at end of the year	<u>-</u>	<u>1,123,995</u>

The company has issued 52,598,610 ordinary shares (2018: 2,905,399) at year end. These shares have no par value. Ordinary shares have equal voting rights and share equally in dividends and surplus on winding up.

The Company has on issue nil convertible preference shares (2018: 1,123,995). The convertible preference shares had equal voting rights and shared equally in dividends as ordinary shares but ranked ahead of ordinary shares on wind up. During the year, 1,123,995 convertible preference shares were converted to ordinary shares prior to the IPO (2018: nil).

**STRAKER TRANSLATIONS LIMITED AND GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

18. GROUP SUBSIDIARIES

Subsidiary	Country of Incorporation	Ownership Interest	Ownership Interest
		2019	2018
Straker Europe Limited	Ireland	100%	100%
STS Translations Inc. (USA)	United States of America	100%	100%
Straker Translations Pty Limited	Australia	100%	100%
Straker Spain SL	Spain	100%	100%
Straker UK Limited	United Kingdom	100%	100%
Eurotext Translations Limited ("Eurotext")	Ireland	100%	100%
Elanex Translations Inc. ("Elanex")	United States of America	100%	100%
Hong Kong Translations Limited	Hong Kong	100%	100%
Management System Solutions SL ("MSS")	Spain	100%	-
Eule Lokalisierung GmbH ("Eule")	Germany	100%	-
ComTranslations Online SL ("Com")	Spain	100%	-

Management System Solutions SL and ComTranslations Online SL are 100% subsidiaries of Straker Spain SL. Straker Spain SL, Straker UK Limited and Eurotext Translations Limited are 100% subsidiaries of Straker Europe Limited. Elanex Translations Inc. is a 100% subsidiary of STS Translations Inc. (USA). All subsidiary companies have 31 March balance dates.

19. CAPITAL MANAGEMENT

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

While the Group is in growth mode, and is incurring operating losses, the Group issues new share capital from time to time to ensure that the Group has sufficient resources to enable the settlement of liabilities as they fall due. The Group has raised significant additional resources through an Initial Public Offering on the Australian Stock Exchange in the current year.

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

20. EVENTS AFTER THE REPORTING PERIOD

There were no reported significant events after balance sheet date as at 31 March 2019.

21. FINANCIAL RISK MANAGEMENT

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

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

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

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

STRAKER TRANSLATIONS LIMITED AND GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Principal financial instruments

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

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

Financial risk management objectives, policies and processes

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

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

i) Financial instruments by category

31 March 2019

	Financial Assets at Amortised Cost \$'000	Liabilities at Amortised Cost \$'000	Fair value through Profit or Loss \$'000	Total Carrying Amount \$'000
Financial Assets				
Cash and cash equivalents	17,669	-	-	17,669
Trade receivables	3,908	-	-	3,908
Total	21,577	-	-	21,577

Financial Liabilities

Trade payables	-	(718)	-	(718)
Accruals	-	(809)	-	(809)
Translator costs accrual	-	(1,686)	-	(1,686)
Contingent consideration	-	-	(2,153)	(2,429)
Deferred consideration	-	(230)	-	(230)
Total	-	(3,443)	(2,153)	(5,596)

Maturity analysis - Contractual liabilities

	Current	Due 1-12m	Due 13-24 m	Due 25-36m	Total
Trade payables	718	-	-	-	718
Accruals	809	-	-	-	809
Translator costs accrual	1,686	-	-	-	1,686
Contingent consideration	-	1,039	1,114	-	2,153
Deferred consideration	-	230	-	-	230
Total	3,213	1,239	1,114	-	5,596

STRAKER TRANSLATIONS LIMITED AND GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

31 March 2018

	Financial Assets at Amortised Cost \$'000	Liabilities At Amortised Cost \$'000	Fair value through Profit or Loss \$'000	Total Carrying Amount \$'000
Financial Assets				
Cash and cash equivalents	7,824	-	-	7,824
Trade receivables	1,994	-	-	1,994
Total	9,818	-	-	9,818
Financial Liabilities				
Trade payables	-	511	-	511
Accruals	-	449	-	449
Translator costs accrual	-	989	-	989
Contingent consideration	-	-	943	943
Deferred consideration	-	287	-	287
Total	-	2,263	943	3,179

Maturity analysis

	Due Current	Due 1-12m	Due 13-24 m	Due 25-36m	Total
Trade payables	511	-	-	-	511
Accruals	449	-	-	-	449
Translator costs accrual	989	-	-	-	989
Contingent consideration	-	481	462	-	943
Deferred consideration	-	287	-	-	287
Total	1,949	768	462	-	3,179

Financial instruments not measured at fair value

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

Financial instruments measured at fair value

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

Level 3	Notes	2019 \$'000	2018 \$'000
Financial Liabilities			
Contingent consideration liabilities		2,153	943

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

STRAKER TRANSLATIONS LIMITED AND GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Quantitative information on significant unobservable inputs - Level 3

The fair value of the Level 3 contingent consideration liability has been determined by discounted cash flow valuation technique. This has been determined with reference to unobservable inputs, including forecast revenue as explained in note 16, and cost of debt of 6.4%.

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

Sensitivity analysis to significant changes in unobservable inputs - Level 3

A 1.35% decrease in the forecast revenue input has a EUR 87k effect on the gain on fair value of the contingent consideration liability recognised at fair value through profit or loss. This is in relation to the Eule current contingent consideration liability at year end.

ii) Credit Risk

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

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

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

The maximum exposure at reporting date is equal to the total carrying amount of cash and cash equivalents, and trade receivables as disclosed in the Statement of Financial Position. At each reporting date, trade receivables are reviewed for future expected credit losses in accordance with note 27 (e).

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

Trade receivables, as provided in note 9, remain current and no balances are past due or impaired.

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

	Rating	2019 \$000	2018 \$000
AIB	BAA3	680	290
ANZ	A1	13,998	4,620
Banco Sabadell	BAA3	56	1,862
Citibank N.A.	AA3	572	524
Commerzbank	BAA2	357	-
La Caixa	BAA1	576	-

iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group closely monitors its cash inflows and cash requirements to manage the net position in order to maintain an appropriate liquidity position. The Directors consider that with the monies raised from the issue of share capital (Note 17) that liquidity is sufficient for the foreseeable future. Refer to financial instrument maturity analysis in Note 21 (i).

STRAKER TRANSLATIONS LIMITED AND GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

iv) Foreign currency risk

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

The Group's sales are made primarily in USD and Euros and the Group's cost of sales (translator costs) are also mainly in USD or Euros. The Group, therefore, manages its foreign currency risk through a natural hedge within its gross profit margin. The Group's operating expenses are incurred primarily in New Zealand Dollars.

Outside of the natural hedge with its gross profit margin, the Group has not historically hedged its foreign currency exposure and as a result the Group's earnings are exposed to the net impact of movements in foreign exchange rates on sales, employee expenses and purchases in the foreign currencies in which the transactions occur, and realised and unrealised gains and losses on foreign currency movements.

The following significant exchange rates applied during the year:

	Monthly average rate		Reporting date spot rate	
	2019	2018	2019	2018
EUR	0.5881	0.6209	0.6065	0.5877
USD	0.6797	0.7114	0.6804	0.7243

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

	2019 NZD'000	2018 NZD'000
EUR	7,325	2,448
USD	7,600	603

Sensitivity analysis

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

	2019 NZD'000	2018 NZD'000
10% weakening in NZD/EUR	403	138
5% strengthening in NZD/EUR	(364)	(214)
10% weakening in NZD/USD	410	43
5% strengthening in NZD/USD	(371)	(64)

22. RELATED PARTY TRANSACTIONS

The Group's related parties include its subsidiary companies as disclosed in note 18. All related party transactions within the Group are eliminated on consolidation.

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

No other related party transactions were noted during the year.

STRAKER TRANSLATIONS LIMITED AND GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

22. RELATED PARTY TRANSACTIONS (CONTINUED)

b) Transactions with directors and key management personnel

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

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

2018	Director Fees	Consulting Fees	Employee Benefits - Defined Contribution Plan	Salary & Fees	Total \$'000
Grant Straker	-	-	10	268	278
Stephen Donovan	40	34	-	-	74
Philip Norman	50	-	-	-	50
Tim Williams	42	-	-	-	42
Paul Wilson	40	-	-	-	40
James Johnstone	40	-	-	-	40
	212	34	10	268	524

Key management personnel including the Chief Executive Officer

	2019 \$'000	2018 \$'000
Employee benefits	1,325	278

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

STRAKER TRANSLATIONS LIMITED AND GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

23. SHARE OPTIONS

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

The options vest at each financial year end. All options are fully exercisable by 26 February 2022.

Reconciliation of outstanding options	Number of Options	Average Exercise Price
Balance at 1 April 2017	88,829	\$9.20
Issued during the year	36,079	\$15.19
Lapsed/Exercised during the year	(839)	\$5.96
Balance at 31 March 2018	124,069	\$10.90
Issued during the year pre share split	2,633	\$15.19
Balance pre share split	126,702	\$10.99
Balance after share split at 10:1	1,267,020	\$1.10
Issued during the year post share split	1,122,790	\$1.64
Lapsed/Exercised during the year	(95,266)	\$1.09
Balance at 31 March 2018	2,294,544	\$1.36

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

	2019	2018
Fair Value on grant date	\$	\$
Share Price at grant date (after share split 10:1)	\$1.64	\$1.52
Exercise Price	\$1.64	\$1.52
Expected Volatility	30%	30%
Expected Life	3 years	3 years
Risk Free rate	3%	3%
Black out fact (until 30 September 2020)	25%	-

Directors

The following directors hold the following number of options as at balance date:

	2019	2019	2018	2018
Name	Exercise Price	Number of Options	Exercise Price	Number of Options
Stephen Donovan	\$1.32	66,960	\$5.96	4,196
Katrina Johnson	\$1.32	25,000	-	-
Philip Norman	\$1.32	91,960	\$5.96	4,196
Grant Straker	\$1.32	341,960	\$5.96	4,196
Tim Williams	\$1.32	25,000	-	-
Paul Wilson	\$1.32	50,000	-	-

STRAKER TRANSLATIONS LIMITED AND GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

23. SHARE OPTIONS (CONTINUED)

Key management personnel including the Chief Executive Officer

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

	2019 Exercise Price	2019 Number of Options '000	2018 Exercise Price	2018 Number of Options
Key management personnel	\$1.40	1,417	\$5.96	4,196

	2019 \$'000	2018 \$'000
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24. OPERATING LEASE ARRANGEMENTS - AS LESSEE

Minimum lease payments - Non-cancellable operating lease commitments

No longer than one year	301	268
Longer than one year and not longer than five years	245	78
	546	346

The Group as lessee

Operating leases relate to office premises with lease terms of between 1 to 2 years. All operating lease contracts contain market review clauses in the event that the Group exercises its option to renew. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

25. BUSINESS COMBINATIONS COMPLETED IN CURRENT PERIOD

During the year, the Group acquired three subsidiary companies, Management System Solutions SL ("MSS"), effective from 1 June 2018, Eule Lokalisierung GmbH ("Eule") effective from 1 July 2018 and ComTranslations Online Inc ("Com") effective from 1 March 2019.

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

Management System Solutions SL ("MSS")

On 1 June 2018 the Group obtained control of MSS by acquisition of 100% of the share capital of the company.

Eule Lokalisierung GmbH ("Eule")

On 1 July 2018 the Group obtained control of Eule by acquisition of 100% of the share capital of the company.

STRAKER TRANSLATIONS LIMITED AND GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

25. BUSINESS COMBINATIONS COMPLETED IN CURRENT PERIOD (CONTINUED)

As disclosed in the Condensed Interim Financial Report for the half-year ended 30 September 2018, the value of the identifiable net assets of the subsidiary companies was determined on a provisional basis as the Group were still obtaining historical information in respect of customers acquired in the acquisitions. Other than adjustments required to account for the fair value of customer list intangible assets and associated deferred tax liabilities, and the subsequent change to goodwill, changes to assets and liabilities acquired consist of allowable offsets and applying appropriate accrual accounting adjustments to the opening balances.

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

MSS	Provisional fair value	Adjustment	Final fair value
	\$'000	\$'000	\$'000
Cash	1,660	-	1,660
Debtors and other receivables	852	(200)	652
Fixed assets	21	(6)	15
Intangible assets	37	879	916
Creditors and accruals	(550)	164	(386)
Deferred tax liability	-	(246)	(246)
Total net assets	2,020	591	2,611

Cash paid (NZD)	3,259
Fair value of contingent consideration liability on acquisition (note 16)	1,149
Total consideration transferred	4,408
Goodwill (note 11)	1,797

Eule	Provisional fair value	Adjustment	Final fair value
	\$'000	\$'000	\$'000
Cash	513	-	513
Debtors and other receivables	763	-	763
Fixed assets	50	-	50
Intangible assets	56	656	712
Creditors and accruals	(482)	(21)	(503)
Deferred tax liability	-	(184)	(184)
Total net assets	900	451	1,351

Cash paid (NZD)	1,072
Shares in Straker Translations Limited (note 17)	172
Fair value of contingent consideration liability on acquisition (note 16)	1,037
Total consideration transferred	2,281
Goodwill (note 11)	930

STRAKER TRANSLATIONS LIMITED AND GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

25. BUSINESS COMBINATIONS COMPLETED IN CURRENT PERIOD (CONTINUED)

ComTranslations Online SL ("Com")

On 1 March 2019 the Group obtained control of Com by acquisition of 100% of the share capital of the company.

At the reporting date, the purchase price allocation to goodwill in respect of the acquisition of Com is provisional as the Group is still obtaining historical information in respect of customers acquired.

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

Book value of assets and liabilities acquired	Com \$'000	Total \$'000
Cash	-	-
Debtors and other receivables	227	227
Property, plant & equipment	33	33
Intangible assets	12	12
Creditors and accruals	(483)	(483)
Term debt	(408)	(408)
Total net assets	(619)	(619)
Cash paid	33	33
Fair value of contingent consideration liability (note 16)	433	433
	466	466
Provisional goodwill	1,085	1,085

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	Com \$'000	Total \$'000
Revenue since date of acquisition	2,951	2,281	189	5,421
Profit before tax since date of acquisition	230	41	(7)	264
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 the year	3,442	3,198	1,551	8,191
Profit before tax since date of acquisition	235	85	(310)	10

A liability is recognised for contingent future earn out payments. This is detailed in note 16.

STRAKER TRANSLATIONS LIMITED AND GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

25. BUSINESS COMBINATIONS COMPLETED IN CURRENT PERIOD (CONTINUED)

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

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

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

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

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

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

STRAKER TRANSLATIONS LIMITED AND GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

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

	Notes	2019 \$'000	2018 \$'000
Net loss after tax for the year		(4,329)	(1,524)
Adjusted for:			
Non-cash items			
Amortisation of capitalised software development		333	208
Amortisation of computer software		48	27
Amortisation of acquired intangibles		682	376
Impairment loss on trade receivables		50	35
Depreciation		77	70
Asset written off		9	2
Imputed interest on deferred consideration liability		107	95
Fair value of contingent consideration liability on acquisition		(423)	(1,079)
Share options		111	61
Taxation		(155)	(131)
Unrealised foreign currency loss		627	121
Non-operating expenses			
IPO related costs		1,953	-
Acquisition costs		593	-
Impact of changes in working capital items			
Movement in debtors, prepayments and other debtors		(920)	200
Movement in creditors, accruals and other payables		44	330
Movement in tax provisions		126	(29)
Net cash flow from operating activities		(1,065)	(1,238)

Changes in liabilities arising from financing activities

The difference between the repayment cash outflow for deferred and contingent consideration of \$1,151,000 presented in the statement of cash flows and the increase in the deferred and contingent consideration liabilities on the statement of financial position of \$1,152,000 has been detailed in note 16. This includes non cash items.

27. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Consolidation

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

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

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

STRAKER TRANSLATIONS LIMITED AND GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

27. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Foreign currency translation

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the year end date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation, in which case exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve along with the exchange differences arising on the retranslation of the foreign operation.

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

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

c) Goods and Services Tax

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

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

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

d) Financial instruments

Non-derivative financial assets

The Group classifies its financial assets as financial assets at amortised cost.

Amortised cost

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

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

STRAKER TRANSLATIONS LIMITED AND GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

27. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-derivative financial liabilities

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

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

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

- Other financial liabilities at amortised cost

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

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

- Financial liabilities at fair value through profit or loss ("FVPL")

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

Financial liabilities at fair value through profit or loss comprise contingent consideration liability.

e) Impairment of assets

Financial assets - trade receivables

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

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

STRAKER TRANSLATIONS LIMITED AND GROUP
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

27. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Non-financial assets

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

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

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

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

Goodwill is tested for impairment annually.

f) Employee benefits

Short Term Employee Benefits

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

Defined contribution schemes

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

Equity settled share option plan

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

**STRAKER TRANSLATIONS LIMITED AND GROUP
COMPANY DIRECTORY
FOR THE YEAR ENDED 31 MARCH 2019**

Company Number	:	1008867
Australian Registered Body Number	:	628 707 399
Registered office	:	C/- 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 Auckland
Banker	:	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

STRAKER TRANSLATIONS LIMITED AND GROUP NEW ZEALAND COMPANY STATUTORY INFORMATION

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

Entries Made into the Companies Interests Register

Director	Relevant Interest	% of Ordinary Shares Owned 31 March 2019	% of Ordinary Shares Owned 31 March 2018
Stephen Donovan	Ordinary Shares	4.37%	4.44%
Katrina Johnson	Ordinary Shares	0.02%	-
Philip Norman	Ordinary Shares	0.10%	0.28%
Grant Straker	Ordinary Shares	13.90%	18.19%
Tim Williams	Ordinary Shares	0.22%	0.28%
Paul Wilson	Ordinary Shares	0.85%	0.37%

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

	No# of Employees
\$100,000 to \$120,000	4
\$120,001 to \$140,000	3
\$140,001 to \$160,000	2
\$160,001 to \$200,000	4
\$200,001 to \$240,000	3

Donations made

The Group made donations during the year of \$nil (2018: nil).