



2023

INTERIM REPORT

ASX : STG

STRAKER TRANSLATIONS GROUP





About Straker

Straker provides next generation language services supported by a state of the art technology stack and robust AI layers to clients around the world. By combining the latest available technologies with linguistic expertise, Straker's solutions are scalable, cost-effective and accurate. Through technical innovation and data analytics, Straker is a proven partner in future-proofing global communications.

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

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Highlights

for the half-year to 30 September 2022

Straker Translations reports another period of strong and profitable growth supported by acquisitions, the onboarding of new customers and existing customers using more of our services



\$33.0m

Revenue rises 42% from \$23.3m thanks to organic and acquisition-led growth



55.5%

Gross Margins steady compared to the prior year's 56.1% as cost savings help to offset inflation pressures



\$0.6m

Adjusted EBITDA an improvement on the \$1.0m loss in the same period a year ago



\$12.4m

Strong cash balance and no debt



Operational Highlights

Secured a 3-year extension of strategic translations agreement with IBM

IDEST Communications, acquired in January 2022
secured a new contract with United Nations

Opened European data centre

Named in TIN100 as the fastest growing New Zealand technology company

Positive outlook supported by a strong balance sheet

Chairman and Chief Executive's Review

Thriving Amid Global Uncertainty



| Heith Mackay-Cruise
Chairman



| Grant Straker
Chief Executive Officer



We deliver the fastest, easiest and smartest global translation capability led by our advanced AI technologies and a team that is committed to our customer's success.

Dear shareholders,

Straker Translations directors are delighted to report another six months of continued strong and profitable growth and continued confidence for the remainder of the financial year.

It is an outlook that is, as we have reported in prior periods, supported by our strong balance sheet, our improvement in operating cashflows, and the latent growth opportunities we have gained through recent acquisitions.

Our announcement after the end of the half year, that we have extended our strategic translation agreement with IBM for another three years, is the most recent affirmation of our capabilities and the value we offer to global enterprises. We deliver the fastest, easiest and smartest global translations led by our advanced AI technologies and a team that is committed to our customer's success.

Chairman and Chief Executive's Review

Continued

Financial results

Revenue for the six months to 30 September 2022 rose to \$33.0m, up 42% on the \$23.3m achieved in the same period a year ago thanks to organic (29%) and acquisition-led (13%) growth.

Growth was weighted to the first quarter of the year amid a rise in general uncertainty caused by global macro-economic pressures and geopolitical tensions. Meanwhile, our strategic partnership with IBM, which delivered a particularly strong first quarter, saw revenues moderate in the second quarter.

Gross Margins for the half year were steady at 55.5%. Straker continues to focus on margin improvements, especially in light of the challenging macroeconomic conditions we are facing.

We are seeing the benefits from the lower cost resource centre we established in the Philippines in the prior financial year. Meanwhile, the tighter integration of our six European offices, and the ongoing integration of the RAY platform with those of recent acquisitions and IBM, our most significant global customer, should positively impact costs going forward.

Adjusted EBITDA for the half year was \$0.6m, a \$1.6m improvement on the \$1.0m loss in the previous corresponding period, reflecting an increasing gap between revenue and operating expense growth.

We delivered an 83% improvement in operating cash outflow being \$0.6m for the six-month period against an outflow of \$3.3m in the same period a year ago. Total cash outflow for the half year was \$3.8m (\$2.7m including foreign currency impact), following earnout payments on recent acquisitions of \$1.7m, working capital requirements and the timing of customer receipts. Straker retains a strong balance sheet with no debt and cash of \$12.4m as at 30 September 2022.

Acquisitions and partnerships

IDEST Communications, acquired in January 2022, is performing well. Notably, it secured a significant partnership with the United Nations (UN) for the provision of global technical translation and revision services from English to French and Spanish. We also completed the transition of IDEST to the RAY translation platform at the end of the quarter.

The UN contract is a clear demonstration of the latent potential IDEST offers Straker through its relationships with global institutions such as the European Commission, the European Parliament, UNESCO, and the United Nations.

In New Zealand we secured a partnership with Microsoft to translate print and online media into te reo Māori. We are combining our translation tools with the Microsoft Translator platform and AI technology to enable news media to translate whole articles into te reo Māori at scale. It is a move that, in addition to fostering te reo Māori, builds our profile with a significant global player.

Finally, as we mentioned above, we have renewed our strategic translations agreement with IBM for a further three years.

Chairman and Chief Executive's Review

Continued

Research and development

As we highlighted at our recent AGM, we are now transitioning to a new innovation cycle that will further extend our technology advantage over the competition. Our focus is on driving the seamless integration of our RAY platform with 'workplace super apps' such as Slack and Microsoft Teams.

Since the onset of the global pandemic and the associated move to remote working, usage of these workflow collaboration tools has grown exponentially.

Slack is now used by 10 million users daily and by 65 of the Fortune 100 list of the US' largest companies. Meanwhile, Microsoft Teams is now used by 1m organisations globally and 270m monthly users, a customer base twice the size versus 12 months ago

We have developed an app for Slack that allows Straker clients to order translations and monitor the progress of those translations without leaving the Slack environment. The approach, which is aligned with our strategy to 'be where the customer works', further enhances our clients' user experience.

The app is now in limited release with selected customers, and we intend to offer it more broadly over the remainder of the financial year. We are also commencing the development of a similar app for Microsoft Teams and aim to launch it early next year.

These developments will further enhance our appeal to the world's largest companies, which are seeking providers that can deliver global, technology-led localisation services. We also expect the apps to open more subscription Software as a Service (SaaS) revenue opportunities.

We have delivered on our service commitments to IBM to drive the automation of the order and delivery of their translations. We are proud of our achievements with now more than 85% of IBM translations delivered automatically.

Building on our commitments to cyber-security and the successful ISO 27001 information security audit in the first quarter, we opened a new European data centre. The new centre meets many of our customers' requirements for compliance with European General Data Protection Regulation standards.

Chairman and Chief Executive's Review

Continued

Governance and people

Over the last half year, we have seen change at the Board in line with our succession plans. At our annual meeting in August, Heith became Chairman replacing Phil Norman who stepped down after eight and a half years at the company. Meanwhile, Steve Bayliss joined the board, replacing Non-Executive Director Tim Williams who sat on the Straker board for seven years.

We are grateful for the support and leadership Phil and Tim have provided. In Phil's case he has adroitly led us through our initial public offer, our listing on the ASX, nine separate acquisitions and an eleven-fold increase in revenue. On behalf of shareholders, we thank them both for their efforts.

We also thank the rest of the Straker team for their continuing support and ongoing commitment to the company.

Summary and outlook

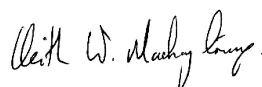
Straker is well positioned despite recent geopolitical tensions and the macroeconomic conditions. In the face of the global economic challenges, Straker's global reach and capability as well as our technology leadership represent a more compelling proposition to customers than ever.

We are building on these strengths with our new focus on delivering service through workplace super apps that will further differentiate us from the competition.

As we detail on page 10 of this report, the global language services market continues to grow and consolidates and Straker is well positioned to be a leader in this market evolution.

With current macroeconomic uncertainty and increased volatility in the New Zealand dollar there is a softening outlook in revenue for Q3, though with increasing revenue opportunities in Q4, guidance is unchanged.

We wish all our shareholders well for the upcoming festive season and a productive start for the new year.

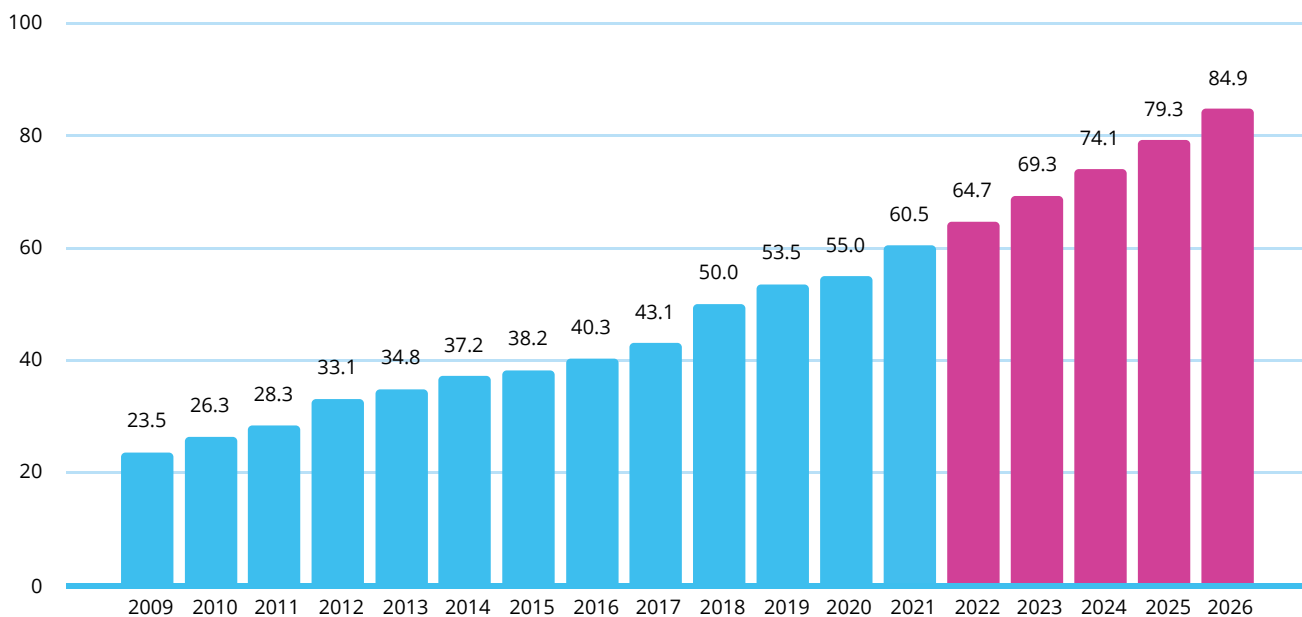


Heith Mackay-Cruise
Chair



Grant Straker
Chief Executive Officer

A Growing and Consolidating Market



Industry Size in US billion dollars 2009-2026
Sources: 2009-2017 CSA Research; 2018-2026 Nimdzi Insights

The market for language services continues to grow strongly, underscoring Straker's potential to continue to win new customers as well as drive consolidation.

The 2022 edition of the Nimdzi 100 report – which each year reviews the state of the language services industry – estimates the market has grown by 6.9% over the last year to around \$64.7 billion. It also suggests growth will continue at this rate to reach US\$84.9 billion in 2026.

The market is also in recovery. The report, which ranks Straker at number 67 on revenue, noted that annual growth among the 100 largest language services providers had increased significantly. Between 2020 and 2021, the combined revenues of the top 100 positions in the list increased by 22.7%, compared to only 6.8% in the previous period.

The report also noted that industry respondents expect the wave of consolidation to continue.

Among the top 100, 45.7% of respondents stated that they were looking for companies to acquire, which is up 12.0% in comparison to last year's results.

In addition, 26.4% are looking to sell, which is an increase of only 2.5% as compared to 2021 (confirming once more that there are fewer companies that want to sell than want to buy). In the same vein, the number of companies stating they are not thinking about M&A at all has decreased by 8.2%.

Finally, in an affirmation of Straker's strategic alliance with IBM, the report notes the largest players in the industry are outgrowing the traditional, transaction based LSP concept. Instead, the report notes LSPs are increasingly becoming strategic partners and advisors for their clients' global business.

Straker Translation Gets a Rocket



New Zealand’s Technology Investment Network (TIN) awards Straker its prestigious ‘Rocket Award’ after the company jumped 32 places in the TIN ranking of the country’s 200 fastest growing technology companies.

With Straker posting revenue growth of 78% over the last year, Straker now ranks at place number 51 among the country’s 200 fastest growing companies, up 32 places from its ranking of 83 a year ago.

Co-Founder and Chief Executive Officer Grant Straker and the Straker team celebrated the award at a ceremony in Auckland in November. He said the company was delighted to receive recognition from an organisation that is so committed to facilitating the growth of the technology sector in New Zealand.

“In the face of the global economic challenges, Straker’s global reach and capability as well as our technology leadership represent a more compelling proposition to customers than ever. Our revenue growth is recognition of this,” he said.

TIN is the leading independent source of information on New Zealand’s technology sector. A key initiative to achieve its goal of championing the technology sector is the TIN Report, a quantitative study of New Zealand’s leading technology export businesses, including: analysis of company revenues, market sectors, regional growth, ownership structures, research and development, economic impacts, detailed company profiles, and more.

Board of Directors



Heith Mackay-Cruise
Chair



Grant Straker
Chief Executive Officer



Amanda Cribb
Independent Non-Executive
Director



Steve Bayliss
Independent Non-Executive
Director



Steve Donovan
Non-Executive Director



Paul Wilson
Non-Executive Director

Management Team



Grant Straker
Chief Executive Officer



Merryn Straker
Chief Operating Officer



David Ingram
Chief Financial Officer



David Sowerby
Chief Revenue Officer



Kim Andrews
Chief People Officer



Indiver Nagpal
Chief Platform Officer

IFRS to Non-IFRS Reconciliation

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

Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA")

	2022	2021	Change
	\$'000	\$'000	%
<i>Six months ended 30 September</i>			
Operating loss before net finance income / (expense)	(2,766)	(4,500)	-38.5%
Add:			
Add back: depreciation & amortisation	2,402	2,256	6.5%
Add back: amortisation of acquired intangibles	908	1,092	-16.8%
EBITDA	544	(1,152)	147.2%
<i>EBITDA margin</i>	1.6%	-4.9%	133.4%
Acquisition & integration costs	15	107	-86.0%
Adjusted EBITDA	559	(1,045)	153.5%
Adjusted EBITDA margin	1.7%	-4.5%	

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**INDEPENDENT REVIEW REPORT
TO THE SHAREHOLDERS OF STRAKER TRANSLATIONS LIMITED**

Report on the Condensed Interim Consolidated Financial Statements

Conclusion

We have reviewed the accompanying condensed interim consolidated financial statements for the six month period (the “period”) of Straker Translations Limited and its subsidiaries (collectively, the “Group”), which comprise the condensed consolidated statement of financial position as at 30 September 2022, and the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the period ended on that date, and a summary of significant accounting policies and other explanatory information.

Based on our review, nothing has come to our attention that causes us to believe that these condensed interim consolidated financial statements of Straker Translations Limited do not present fairly, in all material respects the financial position of the Group as at 30 September 2022, and of its financial performance and its cash flows for the period ended on that date, in accordance with NZ IAS 34 *Interim Financial Reporting*.

Basis of conclusion

We conducted our review in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor’s Responsibilities for the Review of the Financial Statements section of our report. We are independent of the Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements.

Our firm carries out other assignments for the Group in the areas of taxation advice and taxation compliance services. The firm has no other relationship with, or interests in, the Company or any of its subsidiaries.

Directors’ Responsibilities for the Condensed Interim Consolidated Financial Statements

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

Auditor’s Responsibilities for the Review of the Financial Statements

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

A review of the condensed interim consolidated financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on those the condensed interim consolidated financial statements.

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



BDO Auckland
Auckland
New Zealand
24 November 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half-year ended 30 September 2022

<i>Six months ended 30 September</i>	Notes	2022 \$'000	2021 \$'000
Revenue	3	33,027	23,325
Cost of sales	4	(14,703)	(10,231)
Gross profit		18,324	13,094
<i>Operating expenses</i>			
Selling and distribution expenses		(9,243)	(7,263)
Product design and development		(5,119)	(4,472)
General and administration		(5,888)	(4,711)
Total operating expenses	4	(20,250)	(16,446)
Other income		83	51
Loss from trading operations before net finance expense, amortisation of acquired intangibles and acquisition and integration costs		(1,843)	(3,301)
Amortisation of acquired intangibles		(908)	(1,092)
Acquisition and integration costs		(15)	(107)
Operating loss before finance income and expenses		(2,766)	(4,500)
Finance income	5	5,216	385
Finance expense	5	(123)	(1,624)
Profit/(loss) before income tax		2,327	(5,739)
Income tax (expense)/credit		(216)	241
Profit/(loss) for the half-year after tax attributable to shareholders		2,111	(5,498)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss, net of tax</i>			
Foreign currency translation differences		(1,073)	40
Total comprehensive income for the half-year attributable to shareholders		1,038	(5,458)
Earnings per share for the period			
Basic earnings per share (cents)	6	3.11	(8.89)
Diluted earnings per share (cents)	6	3.03	(8.89)

Consolidated Statement of Financial Position

as at 30 September 2022

		At 30 September 2022	At 31 March 2022
	Notes	\$'000	\$'000
Current assets			
Cash and cash equivalents		12,448	15,131
Trade receivables		14,655	12,218
Other assets and prepayments		1,233	1,827
Total current assets		28,336	29,176
Non-current assets			
Intangible assets	7	31,533	31,397
Plant and equipment		398	364
Right-of-use assets		1,557	1,634
Total non-current assets		33,488	33,395
Total assets		61,824	62,571
Current liabilities			
Trade payables		2,942	4,170
Sundry creditors and accruals		6,286	5,234
Contract liability		4,638	3,779
Employee benefits liability		1,098	1,132
Deferred consideration	8	-	1,401
Contingent consideration	8	159	1,348
Lease liabilities		475	463
Total current liabilities		15,598	17,527
Non-current liabilities			
Contingent consideration	8	1,581	1,230
Lease liabilities		1,329	1,421
Deferred tax liability		963	1,206
Total non-current liabilities		3,873	3,857
Total liabilities		19,471	21,384
Net assets		42,353	41,187
Equity			
Share Capital		68,796	68,796
Foreign currency translation reserve		(1,295)	(222)
Share option reserve		958	830
Accumulated losses		(26,106)	(28,217)
Total equity		42,353	41,187

Consolidated Statement of Changes in Equity

for the half-year ended 30 September 2022

	Share Capital	Accumulated Losses	Share Option Reserve	Foreign Currency Translation Reserve	Total Equity
30 September 2022	\$'000	\$'000	\$'000	\$'000	\$'000
Balance 1 April 2022	68,796	(28,217)	830	(222)	41,187
Profit for the half-year	-	2,111	-	-	2,111
Foreign currency translation differences	-	-	-	(1,073)	(1,073)
Total comprehensive income for the half-year	-	2,111	-	(1,073)	1,038
<i>Transactions with owners in their capacity as owners</i>	-	-	-	-	-
Share option cost expensed	-	-	128	-	128
Balance 30 September 2022	68,796	(26,106)	958	(1,295)	42,353

30 September 2021	\$'000	\$'000	\$'000	\$'000	\$'000
Balance 1 April 2021	42,529	(22,305)	460	(623)	20,061
Loss for the half-year	-	(5,498)	-	-	(5,498)
Foreign currency translation differences	-	-	-	40	40
Total comprehensive income for the half-year	-	(5,498)	-	40	(5,458)
<i>Transactions with owners in their capacity as owners</i>	-	-	-	-	-
Issue of share capital	26,969	-	-	-	26,969
Cost of issue of share capital	(1,138)	-	-	-	(1,138)
Share option cost expensed	-	-	158	-	158
Balance 30 September 2021	68,360	(27,803)	618	(583)	40,592

Consolidated Statement of Cash Flows

for the half-year ended 30 September 2022

<i>Six months ended 30 September</i>	Notes	2022 \$'000	2021 \$'000
Operating activities			
Receipts from customers		31,991	20,260
Government grants and tax incentives		205	-
Interest received		1	2
Payments to suppliers and employees		(32,753)	(23,580)
Interest paid		(1)	-
Net cash used in operating activities	9	(557)	(3,318)
Investing activities			
Payments for capitalised software development		(1,277)	(1,259)
Payments for plant & equipment		(99)	(96)
Net cash used in investing activities		(1,376)	(1,355)
Financing activities			
Payment of borrowings		-	(8,400)
Loan interest paid		-	(688)
Proceeds from issue of shares		-	26,969
Cost of share issue		-	(1,138)
Lease liability payments		(247)	(370)
Payment of contingent consideration	8	(300)	-
Payment of deferred consideration	8	(1,363)	(649)
Net cash (used) / from financing activities		(1,910)	15,724
Net (decrease)/increase in cash and cash equivalents		(3,843)	11,051
Effect of exchange rate on foreign currency balances		1,160	(21)
Cash and cash equivalents at beginning of the period		15,131	7,175
Cash and cash equivalents at end of the period		12,448	18,205

Notes to and forming part of the Condensed Interim Financial Report

for the half-year ended 30 September 2022

1. Basis of preparation

These condensed interim consolidated financial statements of Straker Translations Limited (the "Company") and its subsidiaries (together the "Group") for the half-year ended 30 September 2022 have been prepared in accordance with the requirements of NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the audited 2022 Annual Report. For the purposes of complying with generally accepted accounting practice in New Zealand, the Group is a for-profit entity.

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

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

The unaudited condensed interim consolidated financial statements for the Group for the six months ended 30 September 2022 were authorised for issue on 24 November 2022 by the Board of Directors.

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

a. Accounting policies

The preparation of condensed interim consolidated financial statements in compliance with NZ IAS 34 requires the use of certain critical accounting estimates.

Straker Translations Limited has applied the same accounting policies and methods of computation in its condensed interim consolidated financial statements as in its 2022 annual financial statements.

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except as noted in the accounting policies to the 2022 Annual Report.

b. New standards, interpretations and amendments effective from 1 April 2022

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

c. Use of estimates and judgements

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

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

Notes to and forming part of the Condensed Interim Financial Report

for the half-year ended 30 September 2022

2. Segment reporting

The Group provides translation services to its clients.

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

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

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

Inter-segment sales are minimal.

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

2. Segment Reporting

	APAC	EMEA	NAM	TOTAL
<i>Six months ended 30 September 2022</i>	\$'000	\$'000	\$'000	\$'000
Income				
Language services	14,271	8,963	6,606	29,840
Subscriptions	-	-	3,146	3,146
Professional services	-	-	41	41
Other income	93	(10)	-	83
Total income	14,364	8,953	9,793	33,110
Expenses	(14,321)	(9,461)	(11,171)	(34,953)
Segment contribution	43	(508)	(1,378)	(1,843)
<i>Six months ended 30 September 2021</i>				
Language services	8,223	5,985	6,413	20,621
Subscriptions	-	-	2,632	2,632
Professional services	-	-	72	72
Other income	28	23	-	51
Total income	8,251	6,008	9,117	23,376
Expenses	(10,306)	(6,123)	(10,248)	(26,677)
Segment contribution	(2,055)	(115)	(1,131)	(3,301)

Notes to and forming part of the Condensed Interim Financial Report

for the half-year ended 30 September 2022

2. Segment Reporting

	2022	2021
<i>Six months ended 30 September 2022</i>	\$'000	\$'000
Segment contribution	(1,843)	(3,301)
Amortisation of acquired intangibles	(908)	(1,092)
Acquisition and integration costs	(15)	(107)
Net finance income/(expense)	5,093	(1,239)
Net profit/(loss) before income tax	2,327	(5,739)

3. Revenue

Types of goods and services	2022	2021
<i>Six months ended 30 September 2022</i>	\$'000	\$'000
Language services	29,840	20,621
Subscriptions	3,146	2,632
Professional services	41	72
Revenue from contracts with customers	33,027	23,325

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

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

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

Revenue disaggregation by segment is disclosed in Note 2.

Notes to and forming part of the Condensed Interim Financial Report

for the half-year ended 30 September 2022

4. Expenses

Cost of sales and operating expenses	2022	2021
<i>Six months ended 30 September 2022</i>	\$'000	\$'000
Advertising and marketing	700	542
Employee entitlements	12,885	10,888
Recruitment and other personnel costs	559	573
Superannuation contributions	205	145
Share option expenses	126	157
Consultants and contractors	15,843	11,089
Bad debts written off/(recovered)	(11)	(6)
Capitalised development costs	(1,202)	(1,236)
Communication, insurance and office administration	374	402
Computer equipment and software	982	601
Platform costs	871	683
Short term and low value leases	164	102
Travel-related costs	336	41
Other operating expenses	719	440
Total cost of sales and operating expenses excluding depreciation and amortisation	32,551	24,421

Depreciation and amortisation

	Note	2022	2021
<i>Six months ended 30 September 2022</i>		\$'000	\$'000
Amortisation of capitalised software development	7	593	528
Amortisation of computer software	7	1,482	1,319
Amortisation of right of use assets		233	292
Depreciation of plant and equipment		94	117
Total depreciation and amortisation		2,402	2,256
Total cost of sales and operating expenses		34,953	26,677

Notes to and forming part of the Condensed Interim Financial Report

for the half-year ended 30 September 2022

5. Net finance income and expenses

	2022	2021
<i>Six months ended 30 September 2022</i>	\$'000	\$'000
Finance income		
Interest received on financial assets at amortised cost	1	-
Foreign exchange gain	4,434	216
Gain on fair value adjustment to contingent consideration liability	781	169
Total finance income	5,216	385
Finance expense		
Interest expense on loans and borrowings stated at amortised cost	-	(831)
Interest expense on leases	(45)	(18)
Foreign exchange loss	-	(759)
Imputed interest on contingent consideration liability	(78)	(16)
Total finance expense	(123)	(1,624)
Net finance income / (expense)	5,093	(1,239)

During the period, the Group reported a foreign exchange gain of \$4.434m, of which \$3.979m relates to unrealised gains arising from the revaluation of inter-company loans. Strengthening of the United States Dollar against the New Zealand Dollar has significantly contributed to unrealised gains during the period.

6. Earnings per share

	2022	2021
<i>Six months ended 30 September 2022</i>		
<i>Numerator</i>	\$'000	\$'000
Profit/(loss) for the half-year after tax ("N")	2,111	(5,498)
<i>Denominator</i>	'000	'000
Weighted average number of ordinary shares used in basic EPS ("D1")	67,797	61,840
Weighted average number of ordinary shares used in diluted EPS ("D2")	69,702	61,840
	Cents	Cents
Basic earnings per share (N/D1 x 100)	3.11	(8.89)
Diluted earnings per share (N/D2 x 100)	3.03	(8.89)

Notes to and forming part of the Condensed Interim Financial Report

for the half-year ended 30 September 2022

7. Intangible assets

	Capitalised software development	Purchased computer software	Customer relationship	Goodwill	Total
<i>Six months ended 30 September 2022</i>	\$'000	\$'000	\$'000	\$'000	\$'000
Opening net book value	4,606	7,169	4,380	15,242	31,397
Additions in the half-year	1,202	-	-	-	1,202
Amortisation expense	(593)	(1,482)	(908)	-	(2,983)
Foreign exchange adjustment	349	1,537	31	-	1,917
Closing net book value	5,564	7,224	3,503	15,242	31,533
<i>At 30 September 2022</i>					
Cost	9,017	12,962	10,506	16,041	48,526
Accumulated amortisation	(3,453)	(5,738)	(7,003)	(799)	(16,993)
Closing net book value	5,564	7,224	3,503	15,242	31,533
<i>At 31 March 2022</i>					
Cost	7,407	10,548	9,945	16,041	43,941
Accumulated amortisation	(2,801)	(3,379)	(5,565)	(799)	(12,544)
Closing net book value	4,606	7,169	4,380	15,242	31,397

Notes to and forming part of the Condensed Interim Financial Report

for the half-year ended 30 September 2022

8. Consideration liabilities

8.1 Deferred consideration liabilities

	2022
	\$'000
<i>Six months ended 30 September 2022</i>	
Opening balance	1,401
Paid during the period	(1,363)
Other	(38)
	-

8.2 Contingent consideration liabilities

	\$'000
<i>Six months ended 30 September 2022</i>	
Opening balance	2,578
Paid in year	(300)
Reclassified to deferred consideration liabilities	(31)
Gain on fair value adjustment to contingent consideration liability (finance income)	(767)
Unwinding of imputed interest on contingent consideration	78
Foreign exchange adjustment	182
Closing balance	1,740
Due within one year	159
Due after more than one year	1,581

IDEST

Paid during the period

During the current period, the Group paid deferred consideration liability of EUR 0.5m (NZD 0.836m) after achieving revenue and gross margins targets. The Group also paid the final working capital adjustment of EUR 0.313m (NZD 0.527m).

Contingent consideration liability due on 30 April 2023

Due to re-measurement of forecast earnings, a contingent consideration liability of EUR 0.65m (NZD 1.11m) has been de-recognised in the current period, with the corresponding impact recorded in profit or loss. The remaining liability of EUR 0.1 (NZD 0.17m) is payable on 30 April 2023, upon achieving revenue and gross margin targets. The discounted liability of NZD 0.159m is included in the current liability.

Contingent consideration liability due on 29 April 2024

Due to re-measurement of forecast earnings, an additional contingent consideration liability of EUR 0.125m (NZD 0.213m) has been recognised in the current period, with the corresponding impact recorded in profit or loss. The remaining liability of EUR 0.875m (NZD 1.492m) is payable on 29 April 2024, upon achieving revenue and gross margin targets.

Contingent consideration liability due on 30 April 2024

A further contingent consideration liability of EUR 0.25m (NZD 0.426m) is payable upon successful renewal of the contract with the European Commission on or before 30 April 2024 on terms and conditions similar to or better than the current terms and conditions.

The discounted liability of NZD 1.581m, in relation to contingent consideration payable in April 2024, is included in the non-current liability.

Notes to and forming part of the Condensed Interim Financial Report

for the half-year ended 30 September 2022

8. Consideration liabilities (Continued)

NZTC

In relation to the acquisition, contingent consideration payments amounting to NZD 0.3m were made during the current period after the successful achievement of revenue and margin targets.

Lingotek

A contingent consideration liability of USD 1.372m (NZD 1.974m) was de-recognised in FY22 due to remeasurement of forecast earnings. The corresponding impact was recorded in FY22 profit or loss. No remeasurement changes were made in the current period.

9. Reconciliation of operating cash flows

	2022 \$'000	2021 \$'000
Net profit/(loss)	2,111	(5,498)
Adjusted for:		
Non-cash items		
Amortisation of capitalised software development	593	528
Amortisation of computer software	1,482	1,319
Amortisation of acquired intangibles	908	1,092
Amortisation of right of use assets	233	292
Depreciation of plant and equipment	94	117
Impairment loss on trade receivables	200	24
Imputed interest on deferred consideration liability	78	16
Fair value of contingent consideration liability on acquisition	(781)	(169)
Share options	128	158
Taxation	(249)	(138)
Unrealised foreign currency (gain)/loss	(3,979)	(61)
Non-operating expenses		
Interest paid for financing activity	-	831
Interest expense on lease liability	45	18
Impact of changes in working capital items		
Movement in debtors, prepayments and other debtors	(1,994)	(3,242)
Movement in creditors, accruals and other payables	237	1,537
Movement in tax provisions	337	(142)
Net cash used in operating activities	(557)	(3,318)

Notes to and forming part of the Condensed Interim Financial Report

for the half-year ended 30 September 2022

10. Fair value measurement of financial instruments

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

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

Details of the contingent consideration liability have been provided in Note 8.

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

Quantitative information on significant unobservable inputs – Level 3

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

The fair value of the Level 3 contingent consideration liability has been determined with reference to cost of equity.

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

11. Events after the balance sheet date

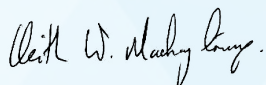
There were no reported significant events between balance date and the date these financial statements were authorised for issue.

Directors' Declaration

The unaudited interim financial statements of Straker Translations Limited and its subsidiaries ('the Group') for the six months ended 30 September 2022 were authorised for issue on 24 November 2022 in accordance with a resolution of the directors. In accordance with ASX Listing Rule 4.2A.2A, the directors declare that, as at that date, and in the directors' opinion:

1. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
2. the relevant interim financial statements and notes comply with accepted accounting standards in New Zealand.

For and on behalf of the Board.



Heith Mackay-Cruise
Chair
24 November 2022



Grant Straker
Chief Executive Officer
24 November 2022

Directory

Company Numbers	New Zealand 1008867 Australia 628 707 399	Auditor	BDO, Auckland
Registered office	New Zealand Level 2, 49 Parkway Drive Rosedale, Auckland 0632 Australia C/o Boardroom Pty Limited Level 8 210 George Street Sydney, NSW 2000	Share Registrar	Link Market Services Limited Level 12 680 George Street Sydney, NSW 2000 Australia Phone: +61 2 8280 7100
Head Office Address and Principal Place of Business	Level 2, 49 Parkway Drive Rosedale Auckland 0632 New Zealand	Stock Exchange	Straker's shares are listed on the Australian Securities Exchange (ASX code: STG)
Directors	Heith Mackay-Cruise (Chair) (appointed 24 August 2022) Phil Norman (Former Chair) (resigned 24 August 2022) Grant Straker (Managing Director and Chief Executive Officer) Steve Donovan Paul Wilson Amanda Cribb Steve Bayliss (appointed 24 August 2022) Tim Williams (resigned 24 August 2022)	Company website	www.strakertranslations.com



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